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EDITORIAL

As We See It

Our predicament in Korea has itself so absorbed the attention of the general public that it may be questioned whether the rank and file have, as yet, come to any realizing sense of the degree in which it underlines the need for decisions and reforms which our government has been evading or avoiding for years.

It is quite commonplace to hear it said that the Kremlin has now begun an active campaign to oblige or somehow induce us to fritter away our substance in many quarters of the globe where it is very doubtful if we can in any event be particularly effective even if Russia risks not a Russian. This, of course, may well be true, and, if so, we would appear to be playing directly into the hands of the master minds in Moscow. We are now definitely committed in Korea. We have entered the fighting on as large a scale as we are able, and have made repeated official statements about what we intend to do in that troubled peninsula where we, to all appearances, are not particularly wanted. It is now obvious that to do what we say we intend to do will cost us heavily. By reason of our efforts in Korea we should be by so much less able to cope with similar coups in a half dozen parts of the world where the Kremlin might repeat their Korean tactics.

It is now evident that despite the "cooperation" somewhat hardly won from the United Nations, there is nowhere in the world today much armament which could be drawn upon quickly to check the marauding Russians or their satellites. It is likewise an obvious fact that most

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The Changed Stock Market Pattern

By LUCIEN O. HOOPER*

W. E. Hutton & Co., Members of N. Y. Stock Exchange

Market analyst decries temptation to regard Korea as an isolated political incident, asserting that it is leading us into long-term armament economy. Foresees radically changed basis of selectivity with the shares of the lower-grade railroads and speculative marginal companies outperforming the investment-type growth companies.

In the sessions beginning June 26 and ending July 18, approximately 40,000,000 shares were traded on the New York Stock Exchange. There are approximately 2,225,000,000 shares listed. This means a 15 session turnover of 1 8/10%. Those of us who are close to the market know that it probably takes at least two "round trips," especially in a hectic market like this, to find a home for any stock which suddenly is turned loose from permanent ownership. It would be very conservative, I think, to guess that less than 1% of all the stocks owned have experienced "disturbed ownership" since this big decline started. In other words, at least 98.2%, and probably over 99%, of all stocks are owned today by exactly the same persons who owned them on June 23. This shows two things: first, that the ownership of stocks is much more stable than most people assume; and second, that our markets are exceedingly thin—permitting wide price changes to stem from very little trading.

L. O. Hooper

The Business Outlook

The **business outlook** over the balance of the year has not deteriorated. If anything, both civilian business and defense business will increase. There is no need to revise downward most estimates of 1950 per share earn-

*A talk by Mr. Hooper before N. Y. Society of Security Analysts, New York City, July 18, 1950.

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Truman Asks War Powers

President in address to Congress also asks for $10 billion in new taxes designed not only to meet Korean situation, but to oppose Communist aggression elsewhere, if necessary. Promises to submit program of new taxes and says he will withhold price control or rationing for present, unless sharp price rises ensue.

President Harry S. Truman appeared before a joint session of both houses of Congress on July 19 and delivered an address in which he asked for enactment of measures to give him the full war powers which were in force during the last war. He also asked for higher taxation to provide approximately $10 billion of additional revenues, but withheld specific tax recommendations, pending completion of studies now under way.

President Truman

The complete text of the President's address follows:

To the Congress of the United States:

I am reporting to the Congress on the situation which has been created in Korea, and on the actions which this nation has taken, as a member of the United Nations, to meet this situation. I am also laying before the Congress my views concerning the significance of these events for this nation and the world, and certain recommendations for legislative action which I believe should be taken at this time.

At 4 o'clock in the morning, Sunday, June 25, Korean time, armed forces from north of the 38th Parallel invaded the Republic of Korea.

The Republic of Korea was established as an independent nation in August, 1948, after a free election held under the auspices of the United Nations. This election, which was originally intended to cover all of Korea, was held only in the part of the Korean peninsula south of the 38th Parallel, because the Soviet Government, which occupied the peninsula north of that parallel refused to allow the election to be held in the area under its control.

The United States, and a majority of the other mem-

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CORPORATE FINANCING POSTPONED—This week's "New Issue Calendar," which appears on page 31, includes a list of the larger corporate issues which have been temporarily postponed due to unsettled market conditions resulting from the Korean war.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

PETER BALL

**Partner, Ball, Burge & Kraus
Cleveland, Ohio**

(Hiram Walker - Gooderham & Worts)

One way of choosing a company that will be around for a long time in the future is to pick one that caters to a habit, such as smoking or drinking; and my particular choice of a company in that category is Hiram Walker-Gooderham & Worts.


Peter Ball

Hiram Walker ranks fourth in point of size, holds a strong position in the industry and owns a well-rounded group of distilleries producing brands which have an excellent public acceptance. Principal brand names available in the United States are Canadian Club, Walker's DeLuxe, Imperial, Walker's Gin, William Penn, Barclay's Royal Canadian, Corby's Reserve, Ballantine's Scotch, Old Smuggler Scotch and John Collins Gin. Although Hiram Walker is a Canadian company, the major portion of its sales are made in the United States, and its Peoria, Illinois unit is the largest in the world producing distilled beverages.

In the last few years the distilling industry has been putting cash into inventory building and consequently the individual companies have been paying out only a small part of their earnings. The production of new whisky now, however, is about equal to withdrawals, so that cash formerly going into increased inventory can be used for other purposes, such as retirement of debt, building working capital and increasing dividend payments.

In May, 1950 Hiram Walker paid off its only debt issue, $16.7 million in debentures, which after a reasonable period of cash accumulation should leave the company in a position to increase the dividend on its 2,886,000 shares of common stock. It is possible that a dividend increase could come with the September 15th payment (usually declared in July or August), but the pattern of past actions points to the December 15th payment (declaration usually in October) since that is the one when increases have occurred in each of the past four years.

The dividend rate has climbed gradually from the $1 level prevailing in early 1946 to $2.40 currently (Canadian funds) and in the next few months could very well have the sharpest increase yet.

On less than a 30% payout, dividends are well protected by earnings which were in excess of $8 per share in the August, 1948 and 1949 fiscal years and which have been running slightly ahead of last year in the nine months ended May 31, 1950.

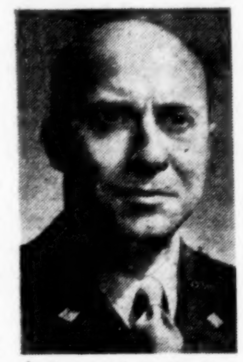
Since this forum's interest is in the future, it can be said here that it is difficult to see any drastic shinkage in Hiram Walker's earnings, and on the plus side, it is within the realm of possibilities that distilling stocks may some day enjoy a quality status somewhat approaching that of the tobacco stocks. The stock is listed on the New York Stock Exchange.

ARMAND G. ERPF

Partner, Carl M. Loeb, Rhoades & Co., New York City

(Superior Oil of California)

Superior Oil Company of California has for many years been one of the outstanding crude oil producers in the United States. It has been renowned for some remarkable exploratory successes over the past ten years and the management has been bold in risking relatively large sums of money for wildcatting of a venturesome nature. Of the 423,000 shares of capital stock outstanding, the Keck family, who manage the business, own about half. The Kecks have been brought up in the oil business and they are oil men in the real sense of the word.


Armand G. Erpf

Understanding an oil-producing and exploratory company requires a somewhat different approach. In effect, the producing oil wells on the proven properties provide a cash throw-off and from that point it is a matter of the judgment of the management as to how much will be used for development work of semi-proven properties, how much will be expended for wildcat drilling, and how much will be devoted to the acquisition of leases and concessions in interesting areas. What remains after such expenditures becomes the reported income of the company, after the deduction of income taxes, and it is out of this residual amount that dividends are paid. The strength of a company of this nature lies in its ability over the years to increase its proven reserves, thereby benefiting from an upward secular trend in its crude oil production.

In the case of Superior, the cash throw-off last year was almost $90 per share and of this almost $60 per share was used for exploration, drilling, and lease acquisition; over $10 per share was deducted for depreciation and depletion; leaving a negligible income tax payment, and a residue which became the reported net income of $18 per share. In the last few years the dividend has not even been based upon this residual earning figure and only nominal payments of $1 in 1949 and $3 in 1948 were made. The basis for being able to minimize payment of dividends is related to the funded debt of $25 million which matures in 1966, the treatment of tax questions in write-offs, and the statutory depletion.

It is largely academic to attempt to calculate the huge oil reserves and enormous gas reserves of Superior Oil of California because, in addition to the known reserves, which are conceded to be very large and which make Superior Oil very reasonable at a current valuation of $116 million for the equity which sells in the market at approximately $275 per share, there is acreage of considerable validity in the United States, in Canada, and in Venezuela. In Canada Superior bought land a number of years ago which, in the opinion of qualified experts, has considerable potential.

In the last few months there have been a number of outstanding developments in Superior which might be briefly touched upon:

(1) The company decided to split off its gas reserves into another company, with the multiple objective of freeing itself from possible control of the Federal Power Commission, which has the authority to regulate various phases of the natural gas industry, and of creating a market for the natural gas company shares, which presumably will sell on a more favorable basis than the shares of the oil company, since natural gas earnings are capitalized at a high multiple.

(2) The $25 million of Superior's debt will, however, be assumed by the gas company, leaving the oil company free of debt and providing the opportunity to recapitalize in the future.

(3) Superior has brought in a field in the Cuyama area in Lower California which appears significant.

(4) Superior has brought in a well in the Gulf of Mexico, offshore, which is also significant.

(5) Its drilling in Canada is yielding attractive results and it is proposed to put together all of the Canadian properties in the Canadian Superior Oil of California Ltd. to which the public will be invited to contribute some $20 million through subscription to some 2,000,000 shares of stock of a total capitalization of 4,300,000 shares, of which the parent company will retain over 50%, indicating that this offspring will be worth $50 to each parent company share.

It is my opinion that the shares of this oil company are undervalued in relation to its known potential, not to speak of the great number of intangibles implicit in the situation. The program of separating the gas company from the oil company will probably take place in the near future and will be on the basis of two shares of the gas company per share of the oil company held. The shares of the gas company should command a high multiple, in line with the valuation accorded gas producing companies generally. Its existing contracts and its new contracts with the Trunkline Gas Supply Company which is now in process of being built, and the step-ups on contracts would indicate a high order of earning power, so that a valuation of 100 points on the present shares of Superior does not seem to be an unreasonable figure. The gas earnings and reserves have played little role in the valuation of Superior in the past, which has always been classed as an exploratory oil enterprise.

It is possible that subsequent to this split-off, a recapitalization of one kind or another might be effectuated in the oil company, which would lend additional attraction to the equity in that the priority, if any, could be sold off. Even without such a development, the appeal of the oil reserves, known and hoped for, in the oil company should provide a better valuation than a mere three times

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This Week's Forum Participants and Their Selections

The Outlook for the Stock Market

By JAMES F. HUGHES*

Auchincloss, Parker & Redpath, Members, N. Y. Stock Exch.

The amazing thing is that the stock-market pattern in connection with wars hasn't changed in ninety years.

James F. Hughes

In accepting this invitation, I, who had been reading valiantly for a couple of weeks about allocations and price controls and the war news in Korea, and so on down to excess profits taxes, thought, "This is getting me all mixed up. What is the simplest thing I can say in this talk?"

After a good deal of thought, I boiled it down to a simple statement that certainly is justified by the record since 1860. In this country we don't fight deflationary wars. I could stop right there. If I did stop, I have given you a great deal. I don't have time to support it with too many statistical details.

Civil War Inflation

During the Civil War we organized a new banking system so that the United States Treasury could sell bonds to banks. There was then a great expansion in bank credit. In financing the Civil War we also issued those greenbacks we all have heard about—a very inflationary development.

By World War I, we had spent fifty-five years with that new banking system. Commercial bank deposits had grown to 15 billion dollars. The war came along, and in five years, from 1915 to 1920, we doubled fifty-five years of diligent work and jumped deposits from 15 to 30 billion dollars.

Then along came World War II. Commercial bank deposits in 1940 were about 49 billion dollars. In four years they expanded to 125 billion dollars.

Tax Factors Secondary

On the basis of this record, I decided not to worry about excess profits, allocations, price controls and the whole list of things associated with war. I decided to remember just one thing—we do not fight deflationary wars. And I don't see why we should fight a more deflationary war under Truman and Snyder than we did under Roosevelt and Morgenthau.

I remember being worried sick in the spring of 1942 as people shook a finger at me and said, "There will be no profits in this war." Well, whether there were profits or not, the bull market that developed within a few months was the greatest bull market in our history on the basis of the number of individual securities that scored those fantastic 500, 1000, 2000, and 3000% gains. They exceeded by far the number of issues scoring comparable gains in the advance from 1921 to 1929.

Past Patterns

I decided to look back over the record to see if the market pattern was what I thought it was. Sure enough, the market pattern in connection with all our wars is very simple. The war breaks out and we are scared; the market has a fairly important decline for several months; then it stabilizes and starts a recovery.

I won't burden you with the detailed statistics. If you are interested you can get them for the Civil War, the Spanish American War, World War I and World War II. Real investors caught with good stocks just held them through the war period and somewhere in the first twelve months after the end of the war it was possible to sell stocks at very substantial percentage advances above the levels existing just before the war began.

So I am not going to worry much about the market in the present war. I think the old pattern will continue The only near term problem facing us is whether we have already seen the lowest average levels or whether they will be lower later on. If both Mr. Hooper and Mr. Tabell can assure me that 185 to 195 is an impregnable low, after I have already taken 34 points, I am not going to fuss about 5 or 10 more. I am going to look ahead to that twelve-month period after the war ends.

I still don't believe we fight deflationary wars although I am willing to concede that the most important threat to the market is the excess-profits tax. However, I am not going to worry about E. P. T., at least not until Mr. Truman shows more signs of worry.

Finally, there is one other reason why stocks can be held without too much risk of further major decline.

This time, more than ever in past history, common stocks are eligible for this kind of treatment. I believe common stocks are a better hold in this war than in any previous war. I am sure common stocks have a higher prestige than ever before. This is, at least partly, a result of the great work done by the New York Society of Security Analysts. There wasn't any organization of this size and importance when any of our previous wars broke out.

This organization, I am sure, has already contributed a great deal to the indoctrination of the American public in the past few years on the soundness of good American equities, both on an income basis and as a hedge against inflation.

So I am offering this as a very serious reason why this time we may have even a better early wartime performance as a result of the educational work that has been done in recent years in telling the American people how good American common stocks are.

*A talk by Mr. Hughes before N. Y. Society of Security Analysts, July 18, 1950.

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The Stock Market's Technical Outlook

By EDMUND W. TABELL*

Partner, Walston, Hoffman & Goodwin

Discussing technical phases of market based on supply-and-demand patterns, Mr. Tabell maintains first indication of change in trend occurred only at time of Korea outbreak. Predicts over next six months or longer prices will remain in very narrow range between recent lows and June highs, with averages eventually surpassing 1929 highs by 1952. Meanwhile foresees good opportunities for switching between issues.

It is a great compliment and pleasure to speak to your group again. Only I wish that sometime you would invite me when not only the weather, but also the market, is not so hot. As I recall it, I talked to you in the summer of 1946 when the market was near its top, and again in June, 1947 when the market was near its low, and again in the summer of 1948, when the market was again near a top. I got out of those situations without too many bruises, but here I am again—in another tough spot. Please invite me sometime on a cool, crisp autumn day when we have a nice, orderly market—where I don't have to work so hard and stick my neck out so far—and where we can enjoy some stories and cider and doughnuts.

Edmund W. Tabell

I will confine my remarks to the technical side of the market. In so doing, I will attempt to present the picture wholely on the basis of the supply-and-demand patterns as they shape up today, and will leave out entirely any emotional reasoning on war, peace or excess profits taxes or controls or allocations.

To get the complete technical picture, it is necessary to retrace the pattern of the last few years. When the market topped out in 1946, it indicated a decline to the 160-170 area in the Dow, Jones Industrial Average. This area was reached on at least ten occasions during the three-year period between September, 1946 and September, 1949. During the same period the Industrial Average reached four or five tops between roughly 185 and 195. This whole broad accumulation range was finally penetrated upside late in 1949. The measurement of this base pattern indicated a minimum of 225 and a maximum of 240-260, on the first phase of the advance. Furthermore, as I stated many times during the last year, indications on individual stock graphs showed that the rise would be led by the higher grade investment issues. The market advanced for 12 months, led by the blue chips, and reached a high of 229.20 on June 22 . . . slightly above the minimum objective.

The Pre-Korean Market

Prior to the Korean episode, there were few signs of an intermediate top. True, the market had advanced for over a year and had rallied 44%—without an interruption—and was vulnerable on that score. However, there were longer and sharper advances of the same type in 1944-45, in 1943, in 1935-36, in 1926-1929, and in 1921-1923. True also that quite a number of issues had reached their upside objectives, but with the possible exception of televisions, natural gas, and a few chemicals, only minor stops had been formed. True also was the fact that the rails had failed to confirm the advance in the industrials. However, none of the usual signs of important distribution were present—such as heavy volume in low-priced speculative shares. There were many secondary groups such as the textiles, liquors, airlines, sugars, machinery, movies and others that had formed strong substantial base patterns, but had little or no move during the whole 12-month 44% advance in the Industrial Average. Some of these groups were showing signs of strength and it appeared possible that the laggard issues and the rails might advance while the blue chip issues were topping out and forming distributional patterns. **After reaching 225, the industrials declined to 218, rallied to 229, and met support again at 218. The next rally to 225 was followed by the attack on South Korea, and the decline below 218 indicated an intermediate downtrend. This was the first indication of a change in trend.**

Forecasts Excellent Trading Market

What are the indications now that the Dow-Jones Industrial Average has declined 35 points in a little over a month? In my opinion, the market, in terms of the Industrial Average is going to hold in very narrow range over the next six months or longer. I doubt if the low is much, if any, below the recent low. I doubt if the high is much, if any, above the June high. I believe that, as far as the average is concerned, the market will hold in roughly a 15% range—similar to the three-year period between September, 1946 and September, 1949. While this may be true of the average, it will not be true of individual stocks and groups. Some groups

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*A talk by Mr. Tabell before N. Y. Society of Security Analysts, New York City, July 18, 1950.

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

A slight advance was noted last week in total industrial production over the holiday restricted level of the preceding week. It was also sharply above that for the comparable period a year ago.

A glance at the steel situation reveals this week that demand that has been keeping steel production at or near capacity is now even more intense. The added pressure comes almost entirely from civilian rquirements and not from military, notes "Steel" magazine, national metalworking weekly.

Fear that military requirements will cut in on civilian production is prompting consumers not to delay any purchases they had contemplated. This not only sustains the already high level of demand but intensifies it further, this trade paper declares. This prompts metalworking plants to press their demands for steel.

To avoid being buried hopelessly under orders, mills are being increasingly selective and cautious in bookings. They know too that the nation's military situation might make it impossible to fulfill any long-term commitments for civilian requirements. The few military orders that have come forth since the start of the Korean war are being given the green light by steel producers.

Steel producers booking orders on a quarterly basis are in general delaying the opening of fourth-quarter books because of the uncertaintly as to what the Korean situation will bring. Many orders are actually being returned with little or no consideration, the magazine adds; those are principally from consumers having no established relations with the mills. It appears that many orders from consumers having established relations with the mills will be accepted only in part and after close mill scrutiny of the pattern of past needs.

Turning to steel production for the first half of 1950, the American Iron and Steel Institute, on Wednesday of last week disclosed that it totaled 47,106,000 tons, the output of the second quarter was 24,895,500 tons, and the production of June was nearly 8,131,000 tons. For the first time in history, it notes, steel output exceeded 8,000,000 tons during every month of the quarter and the calculated weekly production averaged more than 1,913,500 tons.

Automotive production last week, according to Ward's Automotive Reports, showed estimates of car and truck output as well above last year's production.

The nation's auto plants last week, this trade authority estimated, built 193,064 cars and trucks. This total has been exceeded only twice in automotive history—in the week ended June 17, when 195,643 units were built, and the week ended June 24, when Ward's placed production at 196,348.

Copper shipments, too, are being extended with refined copper shipments during June the largest for any month in 2½ years, while producers' stocks remained at the lowest point since October 1944.

Producers of copper shipped 126,047 tons of refined copper (domestic and foreign) to American industry last month. These were the largest deliveries of the metal to consumers here since January, 1947, when the total was 151,948 tons, and were 12,210 tons higher than the 113,837 tons shipped in May, this year, according to the Copper Institute.

Production of copper, the same source reveals, scored a sizable increase during June, principally because of a sharp gain in the amount of scrap that went to the custom units. Total production was 96,334 tons for the month—78,394 tons from mines and 17,940 tons by custom smelters. For May the total production was 83,262 tons—76,691 tons from U. S. mines and 6,571 tons by custom smelters.

Steel Output Rebounds Close to Mid-April Record High

The seriousness of the Korean war has been brought home sharply, and fear that allocations will shortly push back civilian orders is causing one of the most frenzied steel markets since the early days of 1941, states "The Iron Age," national metalworking weekly, in its current summary of the steel trade.

In an attempt to squeeze more tonnage from the mills, steel consumers are approaching steel sales executives with government orders and asking for extra tonnage over their normal allotment. So far they have not been successful. Since almost all products are on allotment, any plus tonnages would have to be taken out of other customers' allotments.

Other consumers who have civilian business placed with one mill are trying to place military orders with other mills so as to have two steel sources—one for defense and one for domestic business. Still other customers are pointing out their steel needs and trying to indicate their length of time on order books, this trade paper asserts.

Not all of these practices are widespread. But they do demonstrate a trend which will grow until Washington stops "thinking" about voluntary allocations and does something about them. Such action is slated to take place this week or early next week. A full voluntary allocation advisory committee is expected to be named. The same people who were on the Department of Commerce's advisory committee right after the war will be back in Washington. They might meet this week or early next week and begin to function shortly thereafter. Meanwhile some steel companies are accepting war orders on the basis of their percentage of the industry's total ingot capacity.

Some plants that are shutting down for summer vacations are alleviating their steel shortage slightly by receiving shipments through the shutdown period. Receipts of foreign steel are increasing, but they are having no effect on domestic sales. Warehouse stocks are low and unbalanced; growing business continues

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BIS Analyzes Devaluations and Exchange Rates

Bank for International Settlements contrasts international monetary situation in 1949 with that of 1931. Finds early 1949 recession in U. S. had adverse effect on British exchange and was leading factor in sterling and other devaluations.

The 20th Annual Report of the Bank for International Settlements, covering the year ended March 31, 1950, reviews in detail the causes and effects of the sweeping changes in foreign exchange rates during this crucial period. In an analysis of the situation, especially as contrasted with the year 1931 when drastic currency devaluations occurred throughout the world, the report states:

Since the gold standard, with its remarkable combination of unlimited freedom of transfers and stable exchange rates, was first established in the course of the 19th Century, there have been only two years in which adjustments of foreign exchange rates have been so sweeping that the expression "wave of devaluations" has been justified. These years were 1931 and 1949. From a monetary point of view there were two outstanding characteristics common to both years:

(1) In the first place, they were not war years but fell within periods of postwar economic and financial reconstruction. It was generally believed in 1928-29 that the world had then succeeded in settling down again to a more or less calm period of progress in production and trade. This belief, however, proved to be an illusion: too many questions had been left unsolved for genuine balance to have been restored. About conditions in 1949 there was less illusion: the postwar adjustments had clearly not yet been completed; in itself, however, 1949 was not mainly a year of disturbances but one in which very real improvement was shown in a number of fields, and in that way it was a better year than 1931.

(2) In the second place, the impulse to the wave of devaluations

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Analysis of Wartime Stock Market Behavior

By GEORGE F. SHASKAN, Jr., and A. WILFRED MAY

PART II

Study further shows that great difficulties confronting investor during initial stages also were formidable over the longer term of "the Duration." Divergences in market price performance from war-to-war, between industry groups, between companies within individual industries, and between prices and earnings, are shown; and investor is warned against relying on generalizations about these criteria. Low-priced issues ran ahead of general market during World War II.

(This is the second in a series of articles on the facts and significance of the stock market's behavior during past war periods. Succeeding instalments will discuss the movement of bond prices in wartime; and comparison of the post-Korean and previous market performances.)

The investment community characteristically is ever more intensively trying to classify "war stocks and peace stocks" as the Korean fighting continues. Nimble portfolio switching, based on both foresight and hindsight, is evidently on the increase. Midst this environment, objective analysis of the stock market's real past wartime performances seems to be timely and important.

The first instalment of our study, which appeared in last week's "Chronicle," cited the difficulties encountered by investors during the **early stages** of our past participation in shooting wars.

TABLE I

Price Changes of 752 Listed Securities Between November, 1941 and August, 1945—Grouped by Industries

NUMBER OF COMPANIES MOVING LOWER OR HIGHER

Total No. of Cos. in Group	Industry Group—	Lower	—HIGHER BY— 10% or Less	11-24%	25-49%	50-99%	100-199%	200-299%	300-499%	500% or More
6	Agric. Machinery	0	0	0	1	3	2	0	0	0
17	Aircraft	4	3	4	2	1	3	0	0	0
9	**Airlines**	**9**	**0**	**0**	**0**	**0**	**4**	**3**	**0**	**2**
11	**Auto Mfr.**	**0**	**0**	**0**	**1**	**2**	**2**	**0**	**2**	**4**
6	Confectionery	1	0	1	1	2	0	1	0	0
38	**Auto Parts**	**0**	**0**	**0**	**2**	**11**	**10**	**6**	**7**	**2**
3	Banks	0	0	0	0	1	2	0	0	0
4	**Biscuit**	**0**	**0**	**0**	**0**	**1**	**2**	**0**	**0**	**1**
4	**Bread**	**0**	**0**	**0**	**0**	**1**	**1**	**2**	**0**	**0**
31	**Building Materials**	**0**	**0**	**0**	**1**	**7**	**12**	**5**	**2**	**3**
2	Camera	0	0	0	1	0	0	0	1	0
17	Chemicals	1	4	4	2	4	1	0	1	0
10	**Coal**	**0**	**0**	**1**	**1**	**1**	**3**	**1**	**2**	**1**
4	Communications	0	0	0	0	4	0	0	0	0
6	Confectionery	1	0	1	1	2	0	1	0	0
11	**Containers**	**0**	**0**	**0**	**2**	**1**	**7**	**1**	**0**	**0**
3	Dairy	0	0	0	0	2	1	0	0	0
18	**Department Stores**	**0**	**0**	**0**	**1**	**7**	**3**	**5**	**2**	**0**
7	**Distilling**	**0**	**0**	**0**	**0**	**3**	**2**	**1**	**1**	**0**
12	Drugs	0	0	3	2	2	2	3	0	0
7	Electric Equipment	0	1	1	0	5	0	0	0	0
8	Engines and Motors	0	0	0	3	1	3	0	1	0
4	Explosives and Firearms	2	1	0	1	0	0	0	0	0
5	Fertilizer	1	0	0	0	2	0	1	1	0
6	Finance (Credit)	0	0	0	0	4	1	1	0	0
20	Food and Beverage	0	1	1	3	7	4	3	1	0
9	Food Chains	0	1	0	1	3	3	0	0	1
10	Gold Mining	0	0	1	2	3	4	0	0	0
6	**Hosiery**	**0**	**0**	**0**	**1**	**1**	**0**	**0**	**1**	**3**
17	**Hshld. Furnishings**	**0**	**0**	**0**	**0**	**1**	**7**	**3**	**4**	**2**
3	Insurance	0	0	2	1	0	0	0	0	0
18	**Investment Cos.**	**0**	**0**	**1**	**1**	**2**	**6**	**1**	**1**	**6**
4	**Leather**	**0**	**0**	**0**	**1**	**0**	**2**	**0**	**0**	**1**
10	Machine Tools	1	3	0	2	2	0	1	0	1
27	Machinery	0	1	2	4	6	10	2	1	1
4	**Mail Order**	**0**	**0**	**0**	**0**	**1**	**1**	**1**	**1**	**0**
5	Meat Packing	0	0	0	1	2	2	0	0	0
15	**Metal Products**	**0**	**0**	**0**	**3**	**3**	**5**	**2**	**0**	**2**
8	**Motion Pictures**	**0**	**0**	**0**	**0**	**1**	**4**	**3**	**0**	**0**
4	Natural Gas	0	0	1	0	1	1	0	1	0
36	Non-Ferrous Metals	3	2	3	12	7	8	0	0	1
8	Office Equipment	0	0	1	0	2	5	0	0	0
10	Paper	0	1	0	1	4	2	1	0	1
48	Petroleum	0	2	5	9	12	14	3	2	1
9	**Print'g and Publish'g**	**0**	**0**	**0**	**0**	**0**	**4**	**1**	**2**	**2**
13	**Radio**	**0**	**0**	**0**	**0**	**2**	**1**	**3**	**3**	**4**
27	**Railroads**	**0**	**0**	**1**	**1**	**4**	**11**	**8**	**6**	**5**
13	Railroad Equipment	0	0	2	1	3	5	1	1	0
2	**Razors**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**2**	**0**
4	**Restaurants**	**0**	**0**	**0**	**0**	**0**	**1**	**2**	**0**	**1**
11	**Rubber and Tires**	**0**	**0**	**0**	**1**	**0**	**2**	**6**	**1**	**1**
5	Shipbuilding	3	1	1	0	0	0	0	0	0
4	Shipping	1	1	1	0	0	1	0	0	0
8	Shoe Mfr.	0	0	0	1	4	2	0	1	0
2	Soap	0	1	0	0	0	1	0	0	0
33	Steel and Iron	1	1	2	10	7	10	0	0	2
15	**Sugar**	**0**	**0**	**1**	**3**	**0**	**10**	**0**	**1**	**0**
2	Sulphur	0	1	0	1	0	0	0	0	0
12	**Textiles**	**0**	**0**	**0**	**0**	**1**	**6**	**3**	**1**	**1**
16	Tobacco	0	1	0	4	6	1	1	2	1
7	**Transit and Taxi**	**0**	**0**	**0**	**0**	**0**	**2**	**1**	**1**	**3**
8	**Trucks and Buses**	**0**	**0**	**0**	**0**	**1**	**4**	**0**	**3**	**0**
29	Utilities	0	0	3	5	8	2	3	3	5
17	Variety Chains	0	0	1	2	7	4	0	1	2
4	Vegetable Oils	0	0	0	2	1	1	0	0	0
6	Wire and Cable	0	0	1	0	2	1	2	0	0

NOTE—Groups in **bold face** type are those which showed the greater advances.

In the present study we show that the investor's lot was little easier over **the longer term of an entire war period.**

A. Wilfred May

Geo. F. Shaskan, Jr.

During World War I stocks declined generally (the Dow, Jones Industrial Average was down 11%), and with only a few exceptions ended the war at lower levels. On the other hand, during the Second World War the market achieved a major rise—with the Dow Jones Industrials up 40%.

The World War II investor who despite the many similarities in the market's behavior during the early periods of both wars (cf. our first instalment), had the wisdom correctly to foresee that the 1917-18 bear market would not be repeated, nevertheless still had a most difficult time.

Unpredictable Divergence Between Industry Groups

In the first place, there was great divergence between industry groups—differences which seem to have been unpredictable. For example "war babies" such as aircraft, ship-building, and explosives, actually suffered net declines, whereas such groups as gold-mining, household furnishings, and soft drinks rose; and chemicals, machine tools and non-ferrous metals lagged behind the market. These instances as well as the overriding pattern of divergence, are shown in Table I.

Selectivity Within Groups

Even assuming that our prescient investor picked the well-acting industry groups (shown in **bold face** in Table I), he still would have had to exercise great additional acumen in picking the right companies within the group. For example, although 12 steel stocks rose more than 100%, 13 others had advances of less than 50%, and one stock actually declined. Similarly, while 20 petroleum stocks advanced by more than 100%, 14 others in this industry group rose by less than 50%, and two had only nominal increases. Again, while the fertilizer group on the whole did well, one of the five companies in this group actually suffered a decline. These, and other within-group differences, are also shown in Table I.

TABLE II

The Relationship Between Earnings and Price Performance of Securities in World War II—By Industry Groups

Industry Group	—Index of Earnings (1940 = 100)— 1941	1942	1943	1944	1945	Percentage Increase or Decrease (—) In Security Prices Nov. '41-Aug. '45
Agric. Machinery	131	116	116	115	105	85
Aircraft	180	149	138	128	172	—6
Airlines	110	258	206	275	329	149
Auto Mfr.	**108**	**84**	**80**	**90**	**100**	**92**
Auto Parts	117	103	113	115	110	81
Baking & Milling	95	108	110	109	108	78
Building Materials	**106**	**82**	**81**	**88**	**81**	**111**
Chemicals	**105**	**90**	**94**	**95**	**96**	**16**
Coal	141	158	132	178	144	86
Confectionery	**99**	**84**	**86**	**84**	**80**	**28**
Containers (Glass)	118	118	127	109	127	54
Containers (Metal)	**100**	**65**	**70**	**76**	**72**	**37**
Copper	118	109	108	96	72	10
Dairy	110	110	110	118	124	94
Dep't. Stores	100	102	107	114	135	103
Distilling	108	118	148	163	222	200
Elec. Equipment	112	91	100	110	117	66
Fertilizer	86	154	159	146	140	110
Finance (Credit)	**114**	**94**	**62**	**38**	**35**	**91**
Floor Coverings	**108**	**79**	**79**	**88**	**70**	**98**
Gold Mining	**88**	**72**	**44**	**32**	**32**	**30**
Mail Order	**88**	**76**	**93**	**93**	**100**	**81**
Meat Packing	155	144	149	144	111	58
Metal Fabricating	146	96	128	110	63	82
Motion Pictures	179	253	305	300	321	148
Office Equipment	132	112	104	104	104	68
Paper	**118**	**77**	**77**	**77**	**80**	**80**
Petroleum	140	106	134	170	158	37
Railroads	275	502	491	373	253	91
Railroad Equip.	136	116	125	142	133	74
Rubber & Tires	128	125	172	164	158	192
Shipbuilding	128	114	122	116	107	—13
Shipping	**121**	**98**	**94**	**89**	**88**	**44**
Shoes	114	107	107	93	100	51
Soap	**103**	**82**	**82**	**80**	**82**	**17**
Soft Drinks	**111**	**86**	**92**	**90**	**90**	**53**
Steel	**112**	**74**	**69**	**66**	**67**	**36**
Textiles: Apparel	139	139	134	129	133	81
Cotton	170	157	152	135	140	92
Wool	225	143	170	162	245	172
Tobacco	**90**	**81**	**79**	**74**	**74**	**42**
Utilities	100	102	99	100	104	45
Zinc & Lead	**102**	**95**	**96**	**78**	**70**	**22**

NOTE—Groups whose earnings declined during the war are shown in **bold face** type.

TABLE III

Price Changes of 853 Securities Between November, 1941 and August, 1945—Grouped by Their Prices Existing at November, 1941

PERCENTAGE OF GROUP MOVING LOWER OR HIGHER

Price at November 1941	Lower	—Higher by— 10% or Less	11-24%	25-49%	50-99%	100-199%	200-299%	300-499%	500% or More
Less than $2	0	0	0	2	0	10	7	25	56
$2—$5	0	0	1	3	10	28	25	20	13
$6—$10	2	1	3	5	18	45	18	7	1
$11—$20	1	1	6	19	35	31	5	1	1
$21—$40	8	8	15	23	31	13	1	1	0
Above $40	11	11	21	23	25	9	0	0	0

Disparities During Course of War

Moreover, the investor seeking an investment program "for the duration" could gain little clue from the behavior of security prices immediately after our entry into war. The sugars, for example, which did well during the initial war impact, ended the war with substantial advances. On the other hand, non-ferrous metals which outdid the averages in the initial period, ended up lagging. Gold-mining and utility issues, which declined sharply at our war entry, enjoyed substantial increases by the time of the war's end. (This type of divergence can be noted by comparing Table I herein with Table I of our first instalment in last week's issue of the "Chronicle.")

Earnings—Price Divergence

Our study reveals another major difficulty hindering the investor; namely, that earnings were not at all closely related to stock price movements. Thus, the investor who acted on a correct anticipation of earnings, nevertheless frequently found that the course of prices left him worse off than if he had completely disregarded this basic investment test. For example, we see in Table II that wartime security prices of such groups as automobiles, finance companies, gold mining, building materials, and confectionery, rose in the face of earnings declines.

* * *

From the above we see the inapplicability of generalizations or of past performance as a guide to current investment programming in war as in peacetime. We also realize the difficulty of forecasting the market action of industry groups. In fact, even the arbitrary selection of stocks purely on a price basis would have afforded far better results than would logical reasoning about the status of industry groups. As we see in Table III, which classifies by price roughly the same issues shown in Table I, the issues in the lower-price ranges throughout the market enjoyed by far the greatest relative price increases.

We must conclude that it would be well for the wartime investor to avoid policies based either blindly on past performance or on generalizations about the action of the market-as-a-whole or industry groups.

C. T. Foxworthy Co.

(Special to THE FINANCIAL CHRONICLE)

INDIANAPOLIS, Ind. — C. T. Foxworthy Company, Inc. is engaging in a securities business from offices at 919 East Washington Street. Officers are C. T. Foxworthy, President; G. C. Foxworthy, Vice-President; and T. E. Westervelt, Secretary and Treasurer.

Stock Listing on the New York Stock Exchange

By PHILLIP L. WEST*
Vice-President, New York Stock Exchange

N. Y. Stock Exchange official, pointing out because Exchange is an auction market, it should be a "mass market," explains procedure of stock listing and conditions laid down for permission for a security to be dealt in on the floor of the Exchange. Stresses as conditions for listing: (1) national interest; (2) size of issue; and (3) proper distribution of shares. Differentiates between listing and registration under the Securities and Exchange Acts and describes Exchange's requirements as to form of stock and bond certificates. Explains details of miscellaneous stock listing regulations.

I think I should start with the functions of the securities exchange in order that you will have a better understanding of what listing means. There are approximately 1,500 companies listed on the New York Stock Exchange. You might say, "Well, why aren't there 100,000 companies listed instead of a mere thousand? After all, there are a great many corporations in the United States. Why do we have listing standards?"

Phillip H. West

As you may appreciate, there are three different types of markets, speaking in very broad general terms. There are the over-the-counter market; the regional exchanges and the New York Stock Exchange.

The over-the-counter market is usually a dealer market in that a dealer buys or sells a security as a principal—that is, not on a commission basis. If you looked at the quotations in newspapers you will find that there is a two-point spread, or maybe more in that security. That particular company might sell at $18 bid; $20, asked.

That means if you bought 100 shares today, you would pay $20 for it, but if you came to sell, it would be $18 because that was the bid price. So you would lose $200 on the transaction and the dealer would have made the $200. You might think that was horrible, but it isn't because these securities are usually more difficult to market.

You may have 100 shares that you want to sell. The dealer takes it at $18, but he can't sell it at $20 today or tomorrow. He may have to push a lot of door bells in order to sell that 100 shares, and he needs the $200 to make that sale, for giving you that service.

Then, we go to the regional exchange. Their sales are usually on a commission basis. Usually there are local securities traded on these regional exchanges which are well-known in the vicinity of the exchange.

New York Stock Exchange—A Mass Market

The New York Stock Exchange is a mass market, something like an automobile production line. That is not a very good illustration, but it gives you an idea. The Exchange looks for a flow of orders from all over the country and the world in maintaining the auction market represented by the Exchange. You are going to get more about that auction market from others, but I am trying to give you a point of view in relation to the listing on the Exchange.

Our policies and regulations, as far as listing is concerned, must be geared to the type of market made on the floor in addition to the safeguards set up for the benefit of the investor.

We do not want to list a security unless we can give the company and its stockholders the kind of market that is normally expected of a security listed on the Exchange.

Others will tell you about commissions, but, as a quick illustration, let us say you bought 10 shares of du Pont stock. The commission would be $6, less than 1% of the selling price of the stock. That is a relatively small commission. That is one of the reasons why the Exchange needs that mass market in order to operate as a going concern and give service through its members to the public.

Our listing requirements represent an evolutionary development over the years. One fact which we have looked for consistently in former years is national interest. We expect a company to have national interest, and by that we mean either national acceptance of the company's products as consumer goods or national interest in the securities because they are held relatively in the forty-eight states. We look for widespread interest from all over the country because we serve the entire country. If it is not of national interest, it is better traded on a regional stock exchange.

We also look for size. Prior to the war we looked for earnings of $500,000 per annum as a minimum after all charges and taxes. Immediately subsequent to the war, we looked for earnings of $750,000, and, just recently in the early part of this year, we changed our requirement to earnings of at least one million dollars. Those earnings would be under competitive conditions and should be representative of the normal earning power of the company.

We also look for substantial size. Formerly we looked for net tangible assets of about $5 million. We now look for $7 million, although greater accent is given to the market value for the common stock where we look for a minimum of $7 million in order that there will be substantial size to the issue.

We also look for distribution. We want 1,500 stockholders holding at least 300,000 shares. Now, I say that is a minimum, and it means grading down in this way: Let's assume a company has 1,500 stockholders of which 500 are shareholders of less than 100 shares having aggregate holdings of about 10,000 shares. That means a relatively small number of shares per holder in the odd-lot grouping. Since we must have distribution, we would consider that group as only 50 holders instead of 500, and the company would not be eligible. The distribution must necessarily be broad in order to provide that auction market that we look for in the Stock Exchange.

We think in terms of national interest, size, and distribution, and over the years—and I have watched this question for the last 20 years—there has always been approximately 200 companies available for listing on the New York Stock Exchange.

That may, from one year to another, grow or decrease a little bit, but in the meantime, we list 20 to 30 new companies a year. You might say, "why does that 200 remain static?" That is because of mergers, consolidation, new firms growing up, new fields of development opening up, and so forth. It is the growth of the United States. That is really what it represents.

Volume of Listed Shares Growing

We are gradually increasing the number of shares. Back in the last 20 years we had about 600 million shares listed. We now have about 2.2 billion. That will show you the growth in the number of shares.

In relation to a listing application, as compared with registration, you have undoubtedly heard of registration under the Securities Act of 1933 and the Securities Exchange Act of 1934. I should like to differentiate between them. The Securities Act of 1933 relates to a public offering of securities, that is, a new issue by a company. The Securities Exchange Act of 1934 is for the purpose of listing on an exchange, so that even if you complied with the 1933 Act in the issuance of new securities, for the purpose of listing you would also be required to register under the 1934 Act.

Distinction Between Registration and Listing

What is the distinction between listing on the Exchange and registering under the Securities and Exchange Act of 1934? The Securities Acts are predominantly disclosure acts. In other words, you can register anything as long as you disclose what it is all about. As far as the Exchange is concerned, it can examine those listings to determine whether or not it will take them. The Securities and Exchange Commission cannot do that.

It is right and proper that it should be so. The Stock Exchange is a business, a quasi public utility, if you will, and the law contemplates that the Exchange will be able, within broad limits of standards, to pick and choose what companies it is going to list. We want companies that are going concerns and have a history, not only of growth, but also stability and position in the industries in which it serves.

Accordingly, from the standpoint of the Stock Exchange, we have to determine whether or not we will take it. In order for a company to be listed, the Exchange must certify its approval of the listing and registration of the security to the Securities and Exchange Commission. Thirty days after the receipt of that certification by the Securities and Exchange Commission, registration becomes effective after which it can be admitted to dealings on the Exchange.

For that purpose it is necessary to file a listing application with the Exchange and a registration statement with the SEC. I am not going to try to go into the details, except in a very general and brief manner, because we haven't the time, and I don't think you would be particularly interested in that angle of it.

Scope of Listing Application

Listing applications are intended to give information to the Exchange concerning the issuing company in order that we can de-

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Fair Return to Venture Capital

By F. HARMON DRISCOLL*
Rockefeller Brothers, Inc., New York City

After describing background of venture capital and obstacles to equity investment, Mr. Driscoll lists as basic aspects of venture capital: (1) high degree of risk with consequent high mortality rate; (2) a long-time cycle from initiation to success of the enterprise; and (3) limited number of financial backers with consequent impairment of liquidity of the investment. Holds these characteristics require that fair return to venture capital should furnish "possibility of returning several times the original investment."

Most of the material covered in this course which you are taking has to do with conventional investment problems, so before considering the question of a fair return to venture capital, it may be well to take a look at venture capital, its background and present position, the people who are specializing in the venture capital business and their approach to the problems of this type of investing.

There is nothing new about venture capital in and of itself. Wherever substantial financial backing is required for a new product or a new line of development or a new idea, venture capital is needed. I would not include in the field of venture capital the sort of investment involved in helping someone start on a small basis his own enterprise in an established field of business such as setting up a garage or a laundry or a drugstore or a dry cleaning establishment. These would be included under our definition of venture capital since they do not basically involve a new product or a new line of development or a new idea.

Before the days of the SEC and development of the current philosophy of personal income taxation, every investor was more or less in the venture capital business and when people sought venture capital, they sought it through the same general channels that provided other types of financing. Why was this so? Because the potential return was great enough to justify the high speculative risk involved and because in many cases due to lack of full disclosure of the facts, the investor was not fully aware of the risks involved. You will note that the question of return on the investment has had quite an influence, as it naturally should, on the history of venture capital.

What happened to dry up this source of capital for people with new products and new ideas to develop and promote? The establishment of Federal and State regulations covering the issue and sale of all types of securities brought about regulations that have made it more difficult to sell real venture capital investments. Second, and far more significant, the evolution of the tax laws has cut down the potential return to the individual investor to a point where the attraction of this type of speculative investment has become marginal.

Tax Obstacles

We will go into the question of the effect of taxes on venture capital later on but it might be well to point out here that there is a good deal of misunderstanding about the tax benefits enjoyed by the investor in venture capital projects. Losses cannot, except under the most unusual circumstances, be treated as bad debts and therefore written off 100% against other income, and what the investor often thinks are capital gains may be treated by the Internal Revenue Department as taxable income and taxed accordingly at higher rates.

The net result of regulation of the sale of securities (which has certainly been in the public interest overall) and the tax laws, has been that venture capital could no longer, as a practical matter, be obtained from the public. The individual investor found himself faced with the same high risk and with his potential return whittled way down. He could not afford to do the work necessary to screen out the riskiest investments and reduce his overall chance of loss, so he quite naturally looked elsewhere to invest his money where the return in relation to risk of loss was far more attractive, or at least appeared to him to be so.

In addition, as a result of the tax laws, the liquid wealth of this country has in recent years tended to concentrate more and more in the hands of fiduciaries such as banks, insurance companies, pension funds, investment trusts and others. This concentration has added to the difficulty of financing new enterprises of a speculative nature since most fiduciaries either as a matter of law or of policy are most conservative in their investment policies.

As Senator Flanders has said:

"The postwar prosperity of America depends in large measure on finding financial support for that comparatively small percentage of new ideas and developments which give promise of expanded production and employment, and an increased standard of living for the American people. We cannot float along indefinitely on the enterprise and vision of preceding generations."

Capital Venture Groups

The spirit underlying Senator Flanders' remarks quoted above, together with a hope of ultimate capital appreciation, has prompted the formation during the last few years of a relatively small number of so-called venture capital groups. What these groups are trying to do is not unique or new but their approach to the problem is new. A few remarks about this approach may be in order.

First of all, each venture capital group has its own objectives and interests as to the type of new developments which it is most interested in sponsoring. The group with which I am associated, for instance, has concentrated a good deal of effort on the development of new industries in overseas areas. This program predates President Truman's Point IV program but is consistent with the spirit and purposes of Point IV. We have also concentrated considerable effort in the field of aviation research and development, believing that the proper continuing development of aviation will provide an instrument for furthering the political, social and economic welfare of this country and

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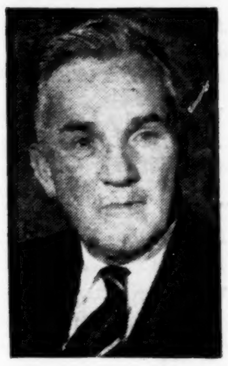
From Washington Ahead of the News

By CARLISLE BARGERON

Out at our golf club last summer, the course, along with every other one on the Eastern seaboard that I know anything about, went bad because of the continued dry and warm weather. There was considerable criticism of the pro (who, in addition to his pro duties, got $6,000 a year as the supervisor of the greens) and also of the greens committee.



Carlisle Bargeron

A highly successful bone doctor who every time he took a stroke visualized the workings of his bone structure and was prone to attribute a bad shot to improper coordination of the femur and the humerus, took the situation quite seriously and after reading several books on grass, went off to cultivate the acquaintance of a grass specialist at the Department of Agriculture. He brought this specialist over to the club and he oohed and aahed that a course should be so bad as ours and allowed that for a fee of $5,000 he could put it in good shape. In turn, this expert brought over a course architect who said that inasmuch as so many of the greens had to be made over, we should have them in different places to give us more symmetry. Thus armed with these experts, the bone specialist conducted a veritable revolution in the grille room and succeeded in overthrowing the greens committee and removing the pro from his greens duties, although we still have to pay him his $6,000 a year because he has a contract.

Some $12,000 has been spent on the greens by the experts, the new greens committee headed by the bone specialist and a new $7,000 a year greens keeper.

Now the familiar beetles are beginning to appear again, along with bare splotches on the greens and in the fairways. And the bone specialist, anticipating the criticism to come his way, is changing the subject by telling us that his friend, the grass expert, has discovered a new grass disease, one the grass scientists have not been able to do anything about. He has not told us that this new disease has taken hold of our fairways and greens but we have become so worried about it that we are planning to spend more money to head off this disease without asking what has been accomplished with the money we have already spent.

This experience reminds me a lot of the Korean situation. Since VJ-Day we have spent a good $75 billion on the military and other means of "containing Communism" but now that we are in a mess there seems little disposition to question where this money has gone. We accept without questioning the statements that notwithstanding the expenditure of this money we really have no defense worthy of the name, and now that we have been shaken out of our business-as-usual stride we will really see what spending is.

Mr. Truman, instead of being held to account, is said to have grown in stature and overnight to have truly become one of the great men of history. The loudest clamor for more spending comes, strangely enough, from his Republican critics. It is doubtful, indeed, if he will be able to satisfy them with the additional billions he asks for. They will want more. The loudest clamor for all-out mobilization of men and industry and the return of controls to prevent inflation, seems to come from these same quarters, though the clamor is by no means confined to them.

There is some evidence that they are conscience-stricken because, without in any way minimizing the serious mismanagement of our foreign affairs on the part of Roosevelt and Truman, there is little doubt that their criticism of Truman's Asiatic policy, together with charges of coddling Communists at home, prompted him to make a last minute about-face and decide to make a stand in Korea when it had been announced months before he had no intention of doing so.

Be that all as it may, it will be amazing under the circumstances, if we do not move into an all-out mobilized state. I was talking with an official of a railway equipment company, for example, and he said gravely that complete industrial mobilization would have to come. It happens that in the present pressure for steel his company has not been getting as much as he thinks it should and he believes it would fare better under government allocations.

Verily, we are a crazy people, or at least there are a lot of crazy people in our midst. You get the distinct impression here in Washington that the Big Brass, which has no sense of values in the spending of money but which is trained in the perspectives of war, and that Mr. Truman himself, would like to keep this war in its proper perspective.

They would like, I firmly believe, to view the Korean situation for just what it is worth without making too much of a commitment. They have, with the commitment of relatively few men, been making a gradual retreat, but at the same time they must have taken a tremendous toll in property and North Korean lives with their bombing. Their disposition, it is believed, would be to go along this way and see what turns up. Very soon, you would think, the North Koreans will run out of the equipment which we originally gave to the Chinese or which they got from the Japanese. But it is doubtful if the highly vocal forces in our midst will permit this.

E. E. Mathews Co. Adds

(Special to The Financial Chronicle)

BOSTON, Mass. — William J. McLaughlin has become affiliated with Edward E. Mathews Co., 53 State Street.

Joins Luckhurst Co.

(Special to The Financial Chronicle)

BOSTON, Mass. — Albert E. Hacking, Jr. has become affiliated with Luckhurst & Co., Inc., 50 State Street.

Korean War Makes Urgent Restoration of Gold Standard, Says Walter E. Spahr

Executive Vice-President of Economists' National Committee on Monetary Policy contends gold redeemable currency would act as check on unnecessary Federal spending in war crises.

"War in itself is disastrous enough, but war under a currency not redeemable in gold multiplies disasters, losses, and suffering," Walter E. Spahr, Executive Vice-President of the Economists' National Committee on Monetary Policy, stated on July 19.

Walter E. Spahr

"We need to remind ourselves that we fought World War I without suspending the privilege of redeeming dollars into gold domestically.

"The Korean war invites much greater Federal spending than that now in effect. Despite this fact, the Federal Government is showing little disposition to cut non-military expenditures.

"The signs point, therefore, to a further depreciation of our dollar. We can have a disastrous depreciation of our currency because the people of this country have lost control over the Federal Government's use of their public purse through the absence of a redeemable currency.

"The surplus reserves in our Federal Reserve banks will permit, at present reserve ratios, an expansion of bank deposits to the extent of $387 billion in addition to the $161 billion now in existence.

"Without a redeemable currency, the people of this country have no way to hold Congress in check. They cannot force it to cut non-military expenditures as necessary military expenditures expand or to cut any other waste.

"They cannot protect their savings and incomes against the devastating effects of a radically depreciating currency which an irredeemable currency, war, and huge surplus reserves now invite.

"Nor can the powers of private enterprise be brought effectively to the support of our war efforts without a redeemable currency.

"Our people," Dr. Spahr concluded, "should take stock of this situation and ask Congress to make our currency redeemable at the present legal rate of $35 per fine ounce."

Joins King Merritt Staff

BIRMINGHAM, Ala. — Frank Chappelle, Jr., has been added to the staff of King Merritt & Co., Inc., Comer Bldg.

With A. A. Tibbe Co.

ST. LOUIS, Mo.—Francis Morrison is affiliated with A. A. Tibbe & Co., 506 Olive Street.

Korea, 1950—Now Time to Think!

By B. BARRET GRIFFITH

B. Barret Griffith & Co., Inc., Colorado Springs, Colo.

Asserting we cannot afford to win any more battles and lose the peace, Mid-Western investment counselor urges we determine our objectives in struggle to retain our ideologies and have our leaders draw up a balance sheet of our own resources as well as those of the enemy.

Because it has been proved beyond any question of doubt that Russia's men in the Kremlin are determined to extend their power throughout the world by deceit, subversion or military force, we must recognize the errors of having joined our strength with theirs against Germany in World War II, and the grave results of our gullibility at Teheran, Yalta, and Potsdam conferences. We must recognize the problem as it is and be realistic. Since 1919 the Kremlin has been able to incite masses to suicide in their unthinking effort to extend a false ideology. In summary then, we must realize that we are in a struggle to the death with our enemy. And we must recognize that the enemy has raised great masses of the world to unthinking mob hatred of us.

B. Barret Griffith

In order to meet the situation, which can be done successfully, we must begin to think. Of first importance, we must determine our objectives. Do we want to try to impose our own ideologies on the world, or do we (realistically) want to keep our own ideologies to ourselves and intact and let the radiation of their success further strengthen their stature and possibly spread them into iron curtain countries in time? The question posed answers itself. History is as full of failures in attempts to change mob ideologies by force as it is replete with successes of false ideologies being destroyed by time.

To accomplish the objective of retaining our own ideologies and permitting time to change the situation in the Kremlin-controlled countries, we must have leadership in this country which *thinks*. That leadership must draw up a balance sheet of our own assets and liabilities and a realistic statement of the enemy's position. Our leaders must conserve our resources and use them intelligently to protect our institutions against the enemy. There must be no more thoughtless wars against the enemy which do not fit in with the main objective of protecting our own ideologies and letting time take care of the false premises of the enemy—we can not afford to win any more battles and lose the peace.

Countries in the United Nations should draw and advertise a line of defense around the world, which line should be one which they are sure their resources can protect. Russia should be expelled from the United Nations, not allowed to choose her time of exit. And every effort should be bent to preserve and encourage free economies among nations of the free world by permitting free trade and free convertibility of currencies based on gold.

At the time when United Nations leadership and the Administration in this country faces up to these facts, we can all become optimistic about the future. Remember, Kremlin incumbents have already had 30 years of time run against them, and the mob ideology which they whipped up for their use in 1919 has been in existence for some 160 years.

Tex.-Ill. Natural Gas Interim Notes Offered

A nationwide group of investment banking firms headed by White, Weld & Co. and Glore, Forgan & Co. is publicly offering $6,000,000 of 5% interim notes, due Jan. 1, 1952 of the Texas Illinois Natural Gas Pipeline Co. at par. This is part of an issue of $12,000,000 of such notes, the remaining $6,000,000 being purchased by The Peoples Gas Light & Coke Co. of Chicago. The 5% interim notes will be payable at stated maturity by delivery of cumulative preferred stock, $5 series at the rate of one share for each $100 principal amount. A sinking fund starting in 1956 will be sufficient to retire all of the preferred stock by 1975.

Concurrently with this financing, White, Weld & Co. and Glore, Forgan & Co. have arranged for the sale to a group of 16 insurance companies of $90,000,000 principal amount of the company's first mortgage pipeline 3¼% bonds, due 1970. In addition, Texas Illinois is offering its present stockholders the right to purchase 1,750,000 shares of common stock at a price of $10 per share. The Peoples Gas Light & Coke Co., which owns 50% of the presently outstanding common stock of the company, has agreed to purchase all shares of additional common stock not taken up by the other stockholders.

The proceeds from the sale of the interim notes, mortgage bonds and common stock will be used by Texas Illinois to construct a pipeline for the transportation of natural gas from the Gulf Coast areas of Texas to Joliet and Volo, Illinois, a distance of 1,330 miles, pursuant to authorization recently received from the Federal Power Commission. The line, which is expected to be substantially completed by the 1951-52 heating season, will have an initial delivery capacity of 305 million cubic feet of natural gas per day and a daily sales capacity of about 518 million cubic feet when fully powered. The company's principal customers will be The Peoples Gas Light & Coke Co., Public Service Co. of Northern Illinois, Western United Gas & Electric Co. and the Northern Indiana Public Service Co., which utilities serve the Chicago metropolitan area and cities in northwestern Indiana, and the Natural Gas Pipeline Co. of America, which will purchase gas from Texas Illinois for resale to certain utilities directly served by it in Wisconsin, Illinois, Iowa, Nebraska and Kansas.

It is anticipated that the daily demand for gas from Texas Illinois' system will soon exceed the presently authorized 305 million daily delivery capacity and it is likely that in the near future and before completion of the facilities now authorized by the Federal Power Commission, the company may request authorization for expanding the delivery capacity of its facilities.

The company has long-term contracts for the purchase and sale of natural gas. The route of its pipeline will cross areas in Texas with substantial proved and potential gas reserves.

COMING EVENTS

In Investment Field

July 21, 1950 (Portland, Ore.)
Portland Investment Bond Club annual summer outing at Mt. Hood Golf Club.

Sept. 8-9, 1950 (Portland, Ore.)
Pacific Northwest Group of the Investment Bankers Association annual meeting at Gearhart Hotel, Gearhart-by-the-Sea, Ore.

Sept. 15, 1950 (Philadelphia, Pa.)
Bond Club of Philadelphia Field Day at the Manufacturers Country Club.

Sept. 26-30, 1950 (Virginia Beach, Va.)
National Security Traders Association Annual Convention at the Cavalier Hotel.

Oct. 12, 1950 (Dallas, Tex.)
Dallas Bond Club Annual Fall Meeting.

Nov. 26-Dec. 1, 1950 (Hollywood, Fla.)
Investment Bankers Association annual convention at the Hollywood Beach Hotel.

Dec. 8, 1950 (New York City)
New York Security Dealers Association Silver Anniversary Dinner at the Waldorf Astoria Hotel (Starlight Roof).

Dealer-Broker Investment Recommendations and Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Attractive Railroad Bonds—Brief study of certain bonds which appear particularly attractive in view of the favorable outlook for railroad earnings—Department C, White, Weld & Co, 40 Wall Street, New York 5, N. Y.

Better Than Average in Wartime — Selected lists of stocks which should do better than average in a wartime economy—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

Also available is a bulletin on **Railroad Income Bonds.**

Convertible Preferred Stocks—Bulletin—James Richardson & Sons, 367 Main Street, Winnipeg, Man., Canada, and 80 King Street, West, Toronto, Ont., Canada.

Leading Banks and Trust Companies of New York—73rd consecutive quarterly comparison—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

New York City Bank Stocks—Comparative figures at June 30, 1950—The First Boston Corp., 100 Broadway, New York 5, N. Y.

Over-the-Counter Index—Booklet showing an up-to-date comparison between the thirty listed industrial stocks used in the Dow-Jones Averages and the thirty-five over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over an eleven-year period—National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

Quarterly Comparison and Analysis for 19 Leading New York City Bank Stocks—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Railroad Income Bonds—Discussion of position—Goodbody & Co., 115 Broadway, New York 6, N. Y.

Railroad Outlook — Reappraisal —Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

* * *

Carrier Corporation — Special survey—Ira Haupt & Co., 111 Broadway, New York 6, N. Y

Also available is a bulletin on the changed outlook for **Textile Securities.**

Central Vermont Public Service Co.—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Citizens Utilities Company — Analysis—A. G. Becker & Co., 120 South La Salle Street, Chicago 3, Illinois.

Also available is a memorandum on **Federated Department Stores.**

Eastern Air Lines—Memorandum—Walston, Hoffman & Goodwin, 265 Montgomery Street, San Francisco 4, Calif.

General Motors Corp.—Analysis —Kiser, Cohn & Shumaker, Inc., Circle Tower, Indianapolis 4, Ind.

International Nickel — Recent study—Stein Bros. & Boyce, Starks Building Arcade, Louisville 2, Ky.

Also available are analyses of **Marine Midland, Texas Eastern Transmission, Frank Fehr Brewing, Cities Service,** and **Louisville & Nashville Railroad.**

Lea Fabrics — information—Aetna Securities Corporation, 111 Broadway, New York 5, N. Y.

Also available is information on **Winters & Crampton, Plywood, Inc., Douglas & Lomason** and **Copeland Refrigeration.**

Mexican Railways — Analysis—Zippin & Co., 208 South La Salle Street, Chicago 4, Ill.

Oswego Falls Corp. — Circular —Hornblower & Weeks, 40 Wall Street, New York 5, N. Y.

Reeves-Ely Laboratories $0.30 preferred stock—illustrated circular—Security Adjustment Corp., 16 Court Street, Brooklyn 2, N. Y.

Riverside Cement Co.—New analysis—Lerner & Co., 10 Post Office Square, Boston 9, Mass.

Also available is a brief review of the Cement Industry.

Sanger Bros. — Memorandum — Stifel, Nicolaus & Co., 314 North Broadway, St. Louis 2, N. Y.

U. S. Thermo Control—Analysis —Raymond & Co., 148 State Street, Boston 9, Mass.

NSTA Notes

NATIONAL SECURITY TRADERS ASSOCIATION

The National Security Traders Association is sending to its members registration forms for the annual Convention to be held Sept. 26 to 30 at the Cavalier Hotel, Virginia Beach, Va. In order that members planning to attend may be assured of accommodations at the Cavalier, it is urgent that they forward registration blank and the registration fee to Morton A. Cayne, Cayne & Co., Cleveland, Secretary of the NSTA as soon as possible. The advance inquiries received to date indicate that it will not be possible to take care of all members at the Cavalier but the over-flow will be taken care of at the Gay Manor Hotel, about two blocks from the Cavalier.

The rates at the Cavalier will be $23 per day for two people in either a twin-bed or double room, and $14.50 for single rooms. This is a modified American plan which includes breakfast and dinner. The rates at the Gay Manor Hotel will be $12 a day for two people in a twin-bed or double room and $7.50 for single, with no meals included.

In response to a number of inquiries as to the type of clothing that should be worn at Virginia Beach, the association states that weather reports for the last week in September indicate that the days can be expected to be mild, with the temperature in the middle 70's and the evenings will be cool. There will be ocean bathing, and it is recommended that sport clothes and medium weight clothes would be suitable for day and evening wear.

A full day has been planned in Washington for Monday, Sept. 25, which will include sight-seeing, luncheon and dinner. For

Continued on page 16

Inflation and Common Stock Prices

By GEORGE W. COLEMAN*
Economist, Mississippi Valley Trust Company, St. Louis, Mo.

Dr. Coleman, basing his comments on study of comparative percentage changes in various countries of cost-of-living and stock price indexes during inflation period of 1937-1948, concludes inflation does not follow any clear pattern and response of share prices to it shows no uniformity. Contends there has been shown no consistent relationship between increases in cost of living and advance in industrial share price indexes.

Spectacular changes in general price levels affect the economies of the countries undergoing them in many ways. Not only is the relative position of debtor and creditor affected, but also the desirability of holding or not holding funds in cash. It is understandable that in such periods the public endeavors to escape the unfavorable consequences of price changes and to take advantage of them, if possible. If prices are increasing, it means that the "real" value of money, i.e., purchasing power, is decreasing. Consequently, it would be desirable to purchase commodities or securities which would rise in price as rapidly as the general price level rises. In this manner, the "real" value of money would be preserved. Obviously, if a commodity could be purchased which would rise in price even more rapidly than the general price level rises, the "real" value of the money invested would be enhanced. In periods of declining prices, the "real" value of money is enhanced simply by holding it in the form of cash. It would be even more advantageous to buy a commodity or security which would rise in price while prices generally were falling. This is, of course, a traditional analysis of the manner in which it is possible to "hedge" against changes in price.

One of the most popular beliefs is that it is desirable in periods of rising prices to invest in common stocks. The common-stock holder is entitled to share the profits of the corporation, and his investment is represented by the plant, equipment, and inventory of the business enterprise. Since it is argued that both the profits and the money value of the assets of the business enterprise will rise in periods of inflation, the purchase of common stock has frequently been advocated as a "hedge" against inflation.

While the price of common stocks might rise with a rise in the general price level, it is possible that certain factors may intervene to cause common stock prices to respond in a manner other than the one outlined in the preceding paragraph.

In the first place, even though the general level of prices may be rising, not all prices advance at the same rate or by the same amount. Some rise more than the average; some rise less. The profit margins of those industries whose prices rise less rapidly than the average are generally affected unfavorably and, consequently, the earnings of such companies might actually decline in periods of inflation; the prices of common stocks of such companies would, as a result, probably decline.

Costs, especially labor costs, are another factor which must be considered in determining whether or not common stock prices would keep pace with the increase in the general price level. In past periods, labor costs probably did not rise so rapidly as the price level. This meant that profit margins would tend to be increased. Labor is now more effectively organized, and it is able to exert its power to secure wage concessions. Labor costs are likely to be adjusted upward more rapidly than they were in periods when labor was not so highly organized.

Taxes are a third factor which would tend to influence the level of common stock prices. If, for example, the corporate income tax were raised to 100%, one incentive for rising share prices in periods of inflation would be removed. It should also be noted that regulations governing the extension of credit to the stock market would likewise influence the trend of share prices.

In periods of extreme inflation, the managers of a business enterprise may decide to invest the profits in new plant and equipment in order to preserve the "real" value of the capital of the enterprise. Dividends might, as a result be held to low levels. To the extent to which share prices are influenced by yields, this policy would tend to restrain the advance of share prices.

Recent Inflation Experience

In the past thirteen years, the economies of the various countries of the world have been undergoing various degrees of inflation. Although no country has experienced so drastic an inflation as that which occurred in Germany in 1920-1923, relatively severe inflations have taken place in many countries. It might prove interesting to compare the actual experiences of these countries with the theory of inflation and its modification as outlined briefly in the preceding paragraphs. The data, of course, yield no complete conclusions concerning the validity of the various theories about inflation, nor do they provide guides for "hedging" against it.

The data upon which the statistical tabulations for this article are based were taken from the monthly publications of the United Nations and the International Monetary Fund. These organizations, in turn, gather their information from official and semiofficial sources. Obviously, the data are subject to many criticisms. In some cases the coverage is not complete, and in others the statistical techniques are not the best that could have been employed. The cost-of-living indexes have been used to reflect the degrees of inflation within the countries. The index of wholesale prices might have been employed, but the cost-of-living figures were chosen because they probably reflect the increase in prices which the general public desires to offset through "hedging" operations.

Since the wholesale price indexes for most of these countries have risen more than the cost-of-living indexes, any conclusions reached by employing the later would apply with even greater force to the wholesale price figures. It should also be remembered that because quality deteriorated, and because "black market" prices were above "official" prices, actual increases in the cost of living for the various countries were probably somewhat greater than the official indexes show. The securities included in the indexes of share prices vary from country to country. In general, the common stocks included in the indexes are those of industrial companies; however, because of differences in composition, the indexes are not strictly comparable.

Data for twenty countries have been tabulated, and the accompanying table shows a comparison of changes in the annual averages for two years—1937 and 1948. (In some cases 1938 figures were used.) The year 1937 were selected primarily because statistics are available for many countries since that time. Industrial activity and trade were at high levels in that year. For the terminal year, 1948 was selected because in that year the postwar inflationary spiral ended in most of the countries. The median, rather than the average, has been employed as a statistical device to reflect general changes, because in some countries the percentage changes were so great that the average would produce a distorted figure. The median is the middle figure when a number of figures are ranked in ascending order. (In this case, since the number of countries is even, the median is the average of the two middle figures.)

Comparative Percent Changes in the Cost of Living and Share Prices as Shown by Annual Averages, 1937-1948

	Percentage increase in		Ratio of rise in share prices to rise in cost of living (1937=100)
	Cost of living	Share prices	
Japan	8,540	110	0.01
*Italy	4,740	1,624	0.34
†France	1,555	1,072	0.69
Finland	715	103	0.14
Chile	346	942	2.72
Belgium	‡289	29	0.10
§Austria	207	263	1.27
Colombia	185	33	0.18
Netherlands	110	105	0.95
*Argentina	105	625	5.95
Ireland	86	42	0.49
United Kingdom	74	18	0.24
Denmark	69	32	0.46
United States	67	11	0.16
Switzerland	64	45	0.70
Norway	64	42	0.66
Sweden	57	31	0.54
Canada	53	—6	—0.11
Australia	48	69	1.44
New Zealand	35	33	0.94

Source: Compiled from data in *International Financial Statistics*, February, 1950.

*Cost of living, 1938 to 1948; share prices, December, 1938 to 1948.
†Retail prices of food, 1938 to 1948; share prices, Dec. 31, 1938 to 1948.
‡Retail prices.
§Retail prices, 1938 to 1948; share prices, March, 1938 to 1948.

Detailed figures for all twenty countries are shown in the table. It will be noted that the increase in the cost of living varied from 8,540% of 1937 in Japan to 35% in New Zealand. The median figure was 95%. The indexes of share prices ranged from a rise of 1,624% of the 1937 figure in Italy to a decline of 6% in Canada. The median increase in share price was 44%.

Conclusions from those data cannot be drawn with any precision, but it should be noted that in only four of the countries—Argentina, Chile, Australia, and Austria—did the price of shares rise more percentagewise than the cost of living. In two other countries—the Netherlands and New Zealand—the rise in the price of shares almost offset the increase in the cost of living. In the rest of the countries, however, the rise was not significant. In one country — Canada — share prices declined while the cost of living rose during the period.

The following tabulation ranks the countries by the amount of the increase in the cost of living which was offset by an increase in share prices:

Country	Ratio of share price rise to rise in cost of living, 1937 to 1948
Argentina	5.95
Chile	2.72
Australia	1.44
Austria	1.27
Netherlands	0.95
New Zealand	0.94
Switzerland	0.70
France	0.69
Norway	0.66
Sweden	0.54
Ireland	0.49
Denmark	0.46
Italy	0.34
United Kingdom	0.24
Colombia	0.18
United States	0.16
Finland	0.14
Belgium	0.10
Japan	0.01
Canada	—0.11

No Clear-Cut Pattern

When the countries studied are grouped geographically, no clear-cut pattern appears and even the countries of the British Commonwealth of nations do not show a common pattern. According to the theoretical analysis outlined earlier, the increase in share prices might be expected to offset more of the increase in the cost of living as the latter rises. Actually, there is apparently a slight tendency observable in the figures cited for a greater proportion of the increase in the cost of living to be offset by an increase in share prices in those countries in which the cost of living increased the least.

The experience of the United States in the period 1937-1949 shows again the impossibility of forecasting the trend of stock prices on the basis of cost-of-living figures. In 1937 stock prices declined, while the cost of living remained relatively stationary. After a slight decline in 1938, the "cost of living" index of the Bureau of Labor Statistics rose steadily to a peak in 1948. Stock prices, on the other hand, after a slight rise in 1938 declined from 1939 to 1942. From 1942 to 1946, stock prices rose somewhat more rapidly than the cost of living. In 1946 they declined sharply, whereas the cost of living rose abruptly after the end of price control. Currently, stock prices have risen as the result of investment demand and inflation fears, although the cost-of-living index is declining slightly.

Inflation does not follow any clear pattern, and the response of share prices shows no uniformity. Closer correlations might appear if specific prices for consumers goods and specific share prices were compared, but no clear-cut pattern would emerge that would be applicable from country to country. This is true because the industrial importance of commodities varies among the countries. Perhaps the only conclusion that can be reached from the data presented in this article is that, at least in recent inflations, there is no consistent relationship between increases in the cost of living and advances in the price indexes of industrial shares.

*Reprinted with permission from the May, 1950, issue of "Current Economic Comment," published by the College of Commerce and Business Administration, University of Illinois. The statistical date in the article was prepared by Mr. Richard Muth.

Joins King Merritt

(Special to THE FINANCIAL CHRONICLE)

WICHITA, Kan. — Frank R. Petersen has become affiliated with King Merritt & Co., Inc. He was formerly with Waddell & Reed, Inc.

Missouri Brevities

An aggregate of 394 shares of 4.60% cumulative preferred stock of **Spencer Chemical Co.** were subscribed for by the common stockholders by the exercise of rights. 16,399 shares were issued in exchange for shares of 5% cumulative preferred stock pursuant to an exchange offer, and the remaining 68,207 shares were purchased by the several underwriters, including Barret, Fitch & Co., Inc.; Newhard, Cook & Co., and Stern Brothers & Co. The 68,207 shares were subsequently reoffered to the public at $100 per share, plus accrued dividends from May 15, 1950.

* * *

Monsanto Chemical Co., St. Louis, on July 7 announced the sale of 150,000 shares of $3.85 cumulative preference stock, series C, at $100 per share, to a group of 17 insurance companies and other large investors. There are no conversion privileges or provisions for a sinking fund. The funds obtained from the sale will be applied to general corporate purposes. Monsanto's sales for the six months ended June 30, 1950, were $102,704,934, or 29% above those in the similar period of 1949. Net income amounted to $13,123,061, equivalent to $2.85 per common share, based on the common and preference shares outstanding as of June 30. This compares with earnings of $7,989,858, or $1.72 per share, for the first half of 1941. Net income for the second quarter of the current year was $7,275,504, equivalent, after provision for preference dividends, to $1.59 per common share.

* * *

Following the sale of $5,000,000 of 4.6% preferred stock at par ($25 per share) to Yale University and a number of insurance companies on July 13, **Laclede Gas Co.** called as of Aug. 14 its outstanding $5,745,300 of 4½% convertible debentures, due 1963, at 102½ and interest. Immediate payment of the debentures will be made upon presentation at the Mercantile-Commerce Bank & Trust Co., St. Louis, or Bankers Trust Co., New York.

* * *

Prestressed Concrete Corp., Kansas City, are publicly offering through Burke & MacDonald, as selling agents, 2,500 shares of its 5% cumulative preferred stock (par $100) and 7,500 shares of its common stock (par 10 cents) in units of one preferred and three common shares at $100.30 per unit. These securities are offered "as a speculation." Dividends on the preferred stock will become cumulative after June 1, 1952. Prestressed, which was incorporated in Delaware on May 26, 1950, presently plans to engage principally in the concrete construction business, applying and using a technique sometimes known as "prestressing." It has not yet obtained any contracts.

* * *

International Shoe Co., St. Louis, earned a profit of $4,554,943, or $1.34 per common share during the first six months of its fiscal year, ended May 31, as against $4,476,525, or $1.31 per common share, for the same period in the preceding fiscal year. Total sales—of shoes sold to customers plus leather and other materials produced by International for manufacture of its shoes—amounted to $120,702,208 for the 1950 six-month period as compared to $132,211,751 for the same period last year.

* * *

Western Auto Supply Co. reported sharp gains in retail and wholesale sales in June compared with the same month last year. Retail sales totaled $7,961,000, an increase of $2,032,000, or 34.3% over June, 1949, while wholesale sales were $6,057,000, a gain of $1,608,000, or 36.1%. For the six months ended June 30, 1950, retail sales amounted to $34,807,000, an increase of $7,084,000, or 25.6% over the same period last year, while wholesale sales totaled $30,627,000, a gain of $5,575,000, or 22.2% over the 1949 period.

* * *

Edison Bros. Stores, Inc., for the month of June reported sales of $6,200,396, a decline of 3.8% from the same month last year. For the six months ended June 30, sales totaled $35,699,606, or approximately 6% below the comparable period of 1949.

* * *

A net profit of $936,404, equivalent to $3.40 per common share outstanding, was earned by **F. Burkart Manufacturing Co.**, St. Louis, in the six months ended May 31, 1950. This was an increase of $79,963 over earnings for the corresponding period of the previous fiscal year when profits of $856,441, amounting to $3.11 per share were reported. The company is a principal supplier of upholstery materials to the automotive, mattress and furniture industries.

* * *

Gleaner Harvester Co., Independence, for the nine months ended June 30, 1950, reported sales of $3,482,140, and net profit after charges and income taxes of $541,046, or $1.35 per share, as compared with sales of $10,722,172 and net profit of $2,580,302, or $6.45 per share, for the same period in the previous fiscal year.

* * *

With Baker, Walsh

(Special to The Financial Chronicle)

CHICAGO, Ill. — Wallace D. Johnson has become affiliated with Baker, Walsh & Co., 29 South La Salle Street.

R. V. Klein Co. Offers Whitehall TV Shares

R. V. Klein & Co. of New York City are offering an issue of 396,000 shares of common stock of Whitehall Television Corp. at 75 cents per share. The net proceeds are to be used for working capital and for expansion. Its plant is located at 206-12 Hillside Ave., Queens Village, N. Y.

The Whitehall corporation was incorporated in June, 1950, for the purpose of manufacturing television receivers and accessories and for the purpose of dealing in household appliances generally. It acquired the assets of the Denmar Distributing Co. and Mutual Appliances, Inc., for 350,000 shares of Whitehall stock.

Denmar is a partnership composed of Messrs. Isidore Eisenberg, Benjamin Saltzman and Alan Singer. They became partners in 1949, and Denmar has been an RCA licensed manufacturer of television receivers since 1949. Mutual was incorporated in New York and has been engaged in buying and selling television receivers, air conditioners, refrigerators, oil burners, washing machines and other appliances directly to the consumer.

The corporation is engaged in the business of converting small to large screen television sets. It will also be engaged in the business of selling television receivers manufactured by others, and recently acquired the exclusive sales franchise for Paragon oil burners in Queens Village, but may sell this product anywhere in the City of New York.

In addition, the corporation's products are being offered by house to house solicitation through an independent sales organization which is compensated on a commission basis.

The following are members of the Whitehall's board of directors: Mr. Eisenberg, who is President; Mr. Saltzman, who is Vice-President in charge of store operations; Mr. Singer, who is Secretary-Treasurer; and Frank J. Meehan (who is also a director of the following companies: Huletts Landing Corp., Franklin Custodian Funds, Inc. and Jefferson Custodian Fund, Inc.).

Babbert & Fetters With F. S. Yantis Co.

(Special to The Financial Chronicle)

CHICAGO, Ill.—Joseph A. Babbert and Frank K. Fetters have become associated with F. S. Yantis & Co. Inc., 135 South La Salle Street, members of the Midwest Stock Exchange. Mr. Babbert was formerly with Shillinglaw, Bolger & Co., Central Republic Co. and Ames Emerich & Co. Mr. Fetters was with Stifel, Nicolaus & Co. and prior thereto was Manager of the research department of First Securities Company of Chicago.

With Merrill Lynch Firm

(Special to The Financial Chronicle)

DETROIT, Mich. — David R. Miller is now with Merrill Lynch, Pierce, Fenner & Beane, 205 West Congress Street.

More Investment in Real Estate

Herbert U. Nelson, Executive Vice-President of National Association of Real Estate Boards, ascribes greater activity in real estate market to sudden rise in construction costs and fear of "a new inflation." Easy mortgage terms also a factor.

A notable change in the general real estate market has developed in the first six months of 1950, with cities throughout the country reporting a new public disposition toward immediate real estate investment measurable in increased volume of sales. Herbert U. Nelson, Executive Vice-President of the National Association of Real Estate Boards, made that statement on July 15 in summarizing the reports of real estate boards of 252 cities in the 51st periodic survey of the real estate market by NAREB.

Herbert U. Nelson

Sudden rise in construction costs was an alert for investors. More favorable financing for home purchasers, especially for veterans, opened the door. It is cited as the primary factor affecting market volume by one of very three of the "up" cities reporting, and probably has been felt by all of them, Mr. Nelson said. But not all areas yet have the easy long-term financing authorized to be insured under the Housing Act of 1950, the survey shows. Adverse financing situations are still reported by numerous individual cities in every geographic region.

Deeper cause for the increased volume of buying is a spreading feeling that "used house prices are not going down much more," or that, in view of world conditions and Federal policies, a new inflation period is building up.

"Prospective buyers who were waiting for that levelling off are now buying," says a typical report from Westfield, N. J. "Greatly increased interest in real estate ownership, plus cheap mortgage money with long terms," reports Atlanta. Omaha gives as main market factors: "General change in the attitude and thinking of the buying public. Continued high earnings. Continued inflationary trend. Increased building costs."

An up trend in general market volume as compared with six months ago is the present picture in 57% of the surveyed cities, Mr. Nelson said, with sales going on at about the December-January rate in 24% and at a slower pace in only 19%. The larger cities with a population of more than 100,000 lead the trend, with real estate investment volume increased recently in 72% of them.

For homes and other residential property Mr. Nelson listed the principal survey findings:

(1) Buying of residential property of all types is in greater volume than it was six months ago in 46% of the reporting cities, in 86% of all cities of over 500,000 population, and in 75% of the cities of over 100,000 population. It keeps its December-January gait in an additional 33% of all the nation's reporting cities.

(2) Plans for future home building are at a pitch that has pushed up the prices of suitable vacant lots. This price rise on desirable in-town lots with utilities has been experienced in every reporting city of over 100,000 population and in 77% of all surveyed cities reporting on this question. The price advance in the last six months has usually been no more than 5%, but in some cities it is 15%, 30%, or even, as in one reporting city, 50%.

(3) Recent increase in construction costs is reported as an important market factor by representative cities of every geographical region of the country. Despite the fact that builders have been absorbing a major share of the new cost bulge, that bulge has begun to push up the selling price of new houses in a number of reporting communities and threatens to do so in other communities.

(4) The volume of new house sales is definitely higher than it was six months ago. The increased volume is notable in 52% of all reporting cities and in 72% of the cities of over 100,000 population, while only 13% of all the country's cities had some decrease in sales.

(5) Favorable financing recently made available for new houses puts older homes at a newly-felt disadvantage in respect to sales. And people are growing more "new-house minded." But despite the competition of the new, volume of sales of used houses remains at least as high as it was six months ago in 61% of the reporting cities, and is higher in 29% of the cities.

It is notable that in cities of over 100,000 population, which usually are leaders of any real estate trend, sales volume for used houses as well as new is now advancing. It is higher than it was six months ago in 47% of all these cities. The number of sales of used houses is a bit smaller than it was in January in 39% of all the surveyed cities.

(6) Adjustment of used-house prices to a normal housing situation means lower prices than prevailed six months ago in 64% of the reporting cities, but prices stay at last year's level in 56% of the cities of over 100,000 population and in 29% of all cities reporting. But used-house prices have begun to go up again in 8% of the larger cities and in 7% of all reporting cities.

Where rent controls have been listed, the effect has been encouraging to real estate ownership, of course, particularly to ownership of apartment properties, Mr. Nelson said.

Edward F. Hormel With Weston W. Adams Co.

(Special to The Financial Chronicle)

BOSTON, Mass. — Edward F. Hormel has become associated with Weston W. Adams & Co., 55 Kilby Street, members of the New York and Boston Stock Exchanges. Mr. Hormel was previously a partner in du Pont, Homsey & Co. and prior thereto was with White, Weld & Co. and was Boston manager for Huff, Geyer & Hecht, Inc.

Reynolds & Co. Adds MacIntosh to Staff

Angus Duncan MacIntosh has joined Reynolds & Co., 120 Broadway, New York City, members of the New York Stock Exchange, as a registered representative. He was formerly associated with Dillon, Read & Co. as a registered representative.

Blyth & Co. Adds Three

(Special to The Financial Chronicle)

PORTLAND, Ore. — Ralph E. Brown, Ronald M. Handel and Robert W. Pitt have become associated with Blyth & Co., Inc., Pacific Bldg.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Insurance Stocks

Changes in market prices of common stocks during the past several weeks have been characterized by rather violent fluctuations. While the trend of prices has been downward, marking the first major reaction since the market started up over a year ago, the declines among the various groups and individual stocks have by no means been uniform.

In a sense the market has been adjusting itself to the changes which may result from the adoption of a semi-war economy. Possibly one of the most important controlling factors in the recent action has been the threat of higher corporate taxes. The probability of raw material shortages and the difficulties of shifting to war production as well as the lower margins of profit thereon have also been important considerations.

Because of the nature and current operations of different industries, these problems would not fall equally upon all groups. Thus, some companies which currently lack sufficient orders to handle a profitable volume of business may benefit from substantial government orders. Such could be the case with some of the railway equipment companies. At the same time a high volume of business involving a heavy movement of material and supplies could benefit the railroads which do not have conversion problems. The same is true, in part, of the nonferrous metal group.

On the other hand, many companies are today operating near capacity and it is difficult to see how they can take on additional business except by reducing some phase of existing operations. The production of war material will absorb supplies and parts that would be available for the production of consumers goods. Also companies which are growing and now enjoy high margins of profit would be hurt by the imposition of higher corporate taxes and especially excess profits taxes.

Fire insurance stocks during this period have acted about the same as the general market. Declines have not been so great as for some groups but considerably more than in some of the better acting groups.

In the event of partial mobilization, fire insurance companies should not necessarily be confronted with any peculiar operating problems. Concerning taxes, the effective rates are lower than in the case of many corporations because of the exemption of 85% of dividend income. In other words, dividend income, which is substantial in some cases, is taxed at the rate of about 5.7%. Holdings of tax-exempt securities also reduce the impact of taxes. Thus in 1949 the effective rate of taxes on a group of five companies was about 25% as compared to the 38% rate. In 1944 the comparable rate was 12% and in 1942, 16%.

Of course the variation in the effective rates is attributable in large part to the fluctuations in the statutory underwriting results. Nevertheless, the point is that fire insurance companies are able to reduce the impact of taxes upon operating income.

As a matter of interest the following tabulation showing the changes in market prices since the beginning of the Korean incident is presented.

	Current Bid Price	Market Price 6-23-1950	Change	1950 Price Range	
Aetna Fire	49½	60¾	— 11¼	66	49½
Agricultural Insurance	64	72¾	— 8¾	76½	63
American Insurance	18	21½	— 3½	22	17¾
Boston Insurance	51½	59	— 7½	65¾	51½
Continental Insurance	54	66⅜	— 12⅜	66¾	50
Federal Insurance	64	67	— 3	72	63½
Fidelity-Phenix	52	64¾	— 12¾	67	50½
Fireman's Fund	83	90½	— 7½	94	83
Firemen's (Newark)	18¾	23	— 4¼	23	18½
Glens Falls	45½	50	— 4½	53	45
Great American	27	31½	— 4½	32	27
Hartford Fire	104	124	— 20	124	104
Home Insurance	31¼	37¾	— 6½	37¾	31
Ins. Co. of North America	100	115	— 15	115	100
National Union	31	35¾	— 4¾	39	30
New Hampshire	41	43¾	— 2¾	48½	41
New York Fire	16¼	20½	— 4¼	20½	16¼
North River	24	25¾	— 1¾	27¾	24
Phoenix Insurance	68	78	— 10	85	68
Providence-Washington	29	33½	— 4½	36½	29
St. Paul Fire & Marine	98	100	— 2	104	94
Security Insurance	29½	34¼	— 4¾	38½	29
Springfield Fire	41½	44½	— 3	48⅜	41½
U. S. Fire	65	68	— 3	69	63½
Westchester Fire	19	22	— 3	23	19

It is interesting to note that the stocks which have sustained some of the largest declines such as Continental, Fidelity-Phenix, Firemen's (Newark) and Insurance Co. of North America, hold substantial amounts of common stocks. Others such as St. Paul Fire & Marine which have a large portion of their funds invested in municipals have maintained their market prices very well.

Britain's Increasing Gold Reserve

By PAUL EINZIG

Noting improved position of Britain's gold and dollar reserves, Dr. Einzig ascribes it in part to self-denial of British workers and investors in foregoing increases of wages and dividends and in part to larger volume of exports of Sterling Area countries to U. S. Foresees further rise in exports of Sterling Area nations, due to Korean conflict.

LONDON, England.—Although it was generally expected that the gold figures due to be announced at the beginning of July would show a further increase, the announcement of an increase by $438 million during the second quarter of 1950 came as a welcome surprise. The total is now $2,422 million, which is higher than the amount of gold and dollars Britain possessed before the beginning of Marshall Aid. The increase during the second quarter was much larger than it was during the first quarter. What is even more gratifying is that it was due to a much larger degree to a current surplus on sterling area trade. During the first quarter that surplus was only $40 million, but during the second quarter it was $180 million. This in spite of the fact that the temporary stimulus due to the devaluation must have continued to subside during the second quarter.

Dr. Paul Einzig

Beyond doubt, Sir Stafford Cripps has good reason for being pleased with this result. But for his efforts to keep down wages and dividends in Britain, to restrict imports from the dollar area and to induce other countries of the sterling area to do likewise, the result would have been much less satisfactory. The self-denial of British workers and investors who were willing to forego increases of wages and dividends must be recognized as an all-important contributory factor to the improvement of the gold position.

Having said all this, it is necessary to face the facts of the situation with frankness in order to avoid the development of an unwarranted feeling of optimism about the prospects. First of all, it is essential to make it plain that the improvement has been almost entirely the result of the increase of the volume and value of sterling area exports to the dollar area. Although the volume of United Kingdom exports to the dollar area has also increased, owing to the devaluation of sterling their dollar proceeds has not changed materially. This is because the prices of goods exported by Britain have risen in terms of sterling only slightly, while the prices of sterling area exports to the United States—especially of rubber and tin—have risen very considerably. In the circumstances it must be considered an achievement that the increase in the volume of United Kingdom exports was at least able more or less to make up for the dollar loss caused by the devaluation of sterling.

As for the increase in the volume of sterling area exports to the United States, it is attributable largely to three factors: (1) American stockpiling purchases of sterling area raw materials. (2) Replenishment of stocks depleted during the period that preceded the devaluation. (3) The boom in the United States, leading to an increased commercial demand for imported raw materials. The future of the British gold position depends on the possibility of maintaining the volume and value of sterling area exports to the United States in the vicinity of its present level.

It is of course impossible to form a firm opinion about the probable trend of American stockpiling purchases. Owing to the international situation, however, it seems probable that they will continue even if existing strategic raw material reserves in the United States are high. Indeed, it is conceivable that considerations of national defense may induce the United States authorities to increase stockpiling purchases in the near future.

The replenishment of commercial stocks which were allowed to decline before the devaluation must have been completed by now. It is true, until comparatively recently the anticipation of a further devaluation of sterling may possibly have induced some importers to defer their purchases. During recent months, however, there has been very little talk of a second devaluation of sterling, and most people must have realized the futility of deferring imports in anticipation of one. No further demand should be expected, therefore, through the operation of this factor.

As for the continuation of the boom-like conditions in the United States, amidst the prevailing uncertainties it is anybody's guess. But it seems probable that, once the markets have recovered from the shock caused by the sudden eruption of the Korean conflict, everything concerned with that war, even on a minor scale, is bound to make for an increase of industrial activity in the United States as elsewhere. At the same time, the prices of raw materials are bound to rise further.

All these considerations point to one conclusion—that sterling area exports to the dollar area are more likely to rise than to fall. From this point of view a certain degree of guarded optimism about the prospects of the British gold reserve seems justified. On the other hand, as far as the balance of payments of the United Kingdom itself is concerned the prospects are not nearly so favorable. With the relaxation of the ban imposed on wages increases, the cost of production of British manufactures is likely to increase. What is more important, owing to the international situation rearmament in Britain will have to be speeded up, which means less exportable surplus and more imports of raw materials. It remains to be seen whether the favorable balance of sterling area countries will be able to offset an unfavorable change in the trade of Britain.

Precisely because of the uncertainty of the outlook it would perhaps have been wiser if, instead of trying to accentuate the increase of the gold stock, Sir Stafford Cripps had aimed at moderating it through a repayment of dollar credits to the International Monetary Fund and to Canada. Such repayments could have been made conditional on Britain's ability to draw on those credits again if necessary to the extent of the amounts repaid. By such means the increase of the gold reserve shown in the quarterly statement would have become less spectacular. As it is, the Government and British employers will find it increasingly difficult to resist demands for higher wages. The favorable figures will convey the impression that the problem of the dollar gap has been solved, so that there is no longer any need for intensified effort and self-denial.

Instead of seeking to conceal part of the increase of the gold reserve through repayments of dollar credits, the Government has actually increased the amount of dollar credits during the past quarter by drawing on the unused part of the Canadian credit to the extent of $15 million. This was surely unnecessary in the circumstances. There was no justification to borrow another $15 million for the sake of being able to show an increase of the reserve by $438 million instead of $423 million. It was sheer window-dressing which is likely to prove costly in the form of grants of wage increases in face of stronger wage demands. If instead of borrowing an additional $15 million the Government had repaid $100 million the net gold position—which is what really matters—would have improved to exactly the same extent, and the less favorable outward appearance of the gold position would have strengthened the case against granting wage increases.

With King Merritt in N. Y.

Frederick K. McTarnahan has joined the staff of King Merritt & Co., Inc., 22 East 40th Street, New York City.

REPORT OF CONDITION OF

Underwriters Trust Company

of 50 Broadway, New York, N. Y., at the close of business on June 30, 1950, published in accordance with a call made by the Superintendent of Banks pursuant to the provisions of the Banking Law of the State of New York.

ASSETS

Cash, balances with other banking institutions, including reserve balances, and cash items in process of collection	$8,601,016.74
United States Government obligations, direct and guaranteed	13,507,450.64
Obligations of States and political subdivisions	3,847,728.10
Other bonds, notes, and debentures	2,330,217.79
Loans and discounts (including $855 overdrafts)	12,474.784.95
Furniture and fixtures	54,840.64
Other assets	81,813.67
TOTAL ASSETS	$40,897,852.53

LIABILITIES

Demand deposits of individuals, partnerships, and corporations	$21,159,907.93
Time deposits of individuals, partnerships, and corporations	4,679,038.03
Deposits of United States Government	292,331.66
Deposits of States and political subdivisions	9,266,355.12
Deposits of banking institutions	371,181.59
Other deposits (certified and officers' checks, etc.)	2,074,898.31
TOTAL DEPOSITS $37,843,712.70	
Other liabilities	151,843.27
TOTAL LIABILITIES (not including subordinated obligations shown below)	$37,995,555.97

CAPITAL ACCOUNTS

Capital †	$1,000,000.00
Surplus fund	750,000.00
Undivided profits	1,152,296.56
TOTAL CAPITAL ACCOUNTS	$2,902,296.56
TOTAL LIABILITIES AND CAPITAL ACCOUNTS	$40,897,852.53

†This institution's capital consists of common stock with total par value of $1,000,000.00.

MEMORANDA

Assets pledged or assigned to secure liabilities and for other purposes	$4,868,787.07

I, K. W. LANDFARE, Assistant Treasurer of the above-named institution, hereby certify that the above statement is true to the best of my knowledge and belief.

K. W. LANDFARE

Correct—Attest:

C. W. KORELL
P. C. MAGNUS
J. B. V. TAMNEY } Directors

The New Industrial Revolution

By S. A. LOFTUS

Commander, U. S. Navy, Retired

Contrasting the old industrial revolution with present situation, Commander Loftus finds most significant difference is in who gets the profits. Points out in former industrial revolution owners of businesses kept major share of the profits, whereas in the new industrial revolution union labor takes lion's share.

During the half century between the invention of the cotton gin in 1793 to the invention of the sewing machine in 1846, the first canals, railroads and steamships were built, all of which laid the foundation for the Industrial Revolution which brought undreamed wealth to the entire civilized world.

S. A. Loftus

Aside from the genuinely free enterprise system and incredibly low taxes on business for the eighty-odd years from 1846 to 1929, the most vitally important factor in favor of the owners of these enterprises was the labor situation. For periods as long as twenty-five years wages and hours of work were stable. Strikes were rare and never revolutionary in character and labor in general must have been contented since their standard of living was continually rising.

Today, however, we are faced with a New Industrial Revolution which I undertake to describe. This New Revolution is probably the most important factor for profit or loss which now confronts the real owners of business enterprises, the stockholders, because this New circumstance, instead of building up wealth will do just the opposite. The main ingredient of this Revolution is the strategy of the powerful AFL and CIO labor unions.

Aided and abetted by the New Deal Administration and Congress which rode into power in 1933, this New Revolution received its baptism by the provisions of the Wagner Act. Then along came the Second World War which gave it a tremendous boost in power, so great that existing laws for the protection of private property and non-union citizens are held in contempt by many unions. Starting in the early part of 1946, all the big union labor organizations won their first round of increased wages, shorter hours, vacations with pay and other benefits. Today we are in the fifth round of wage increases and other benefits, with no end in sight.

Example of a Specific Case

Truly, this is high time to take stock of what has happened, what is transpiring today and what the probable future consequences of these victories of union labor over the owners, the common stockholders of the business enterprises in our nation.

A specific case which illustrates how one union, the United Mine Workers, holds the Taft-Hartley law and even the Constitution which guarantees protection to the rights of the owners of private property in contempt, is this one described in the daily press of May 28, 1950. The authority for the facts presented is the Trial Examiner of a National Labor Relations Board which was convened to try the UMW for "invasion and seizure" of six non-union coal mines in Kentucky in June, 1949 in violation of the Taft-Hartley Law.

Mr. Ferguson, the Trial Examiner, summarized the pattern followed during the coal strike in these words: "The UMW force, estimated at 2,000 men, parked their motor vehicles along roads near the mines, marched to the mine offices and *demanded* that the mine officials call together all employees. In each instance the UMW caravan was preceded by the sheriff of the county in which the mine was located and a captain from the state patrol." (Above italics are mine.)

"These officers, when asked by the mine officials, *advised* the latter that it would be best to shut down the mines and summon their employees in order to avoid 'violence and property damage.' The mine officials then summoned their employees. Meanwhile, the UMW force fanned out over the property rounding up non-union men." (Italics are mine.)

"The non-union employees, when assembled, were backed up against the wall of a building and surrounded by a solid mass of UMW men. Thereupon, one or more union officials addressed them, threatening them unless the employees joined the union before returning to work. At some mines the UMW seized the lunch boxes and coffee jugs of the non-union miners, ate the lunches and threw away the boxes."

The trial brought out that the UMW officials described these activities as an organizational drive to induce the non-union miners in that territory to strike and join the union. Mr. Ferguson stated: "Instead of using conventional and legally recognized methods of organization, they adopted this method of invading the mines in overwhelming numbers with all its accompanying and consequent effects of force, coercion and compulsion."

It is true that the UMW was found guilty of "invasion and seizure" by the NRLB and directed to post notices promising not to repeat it, but not until almost one year *after* the offense. The significant point of this whole affair was the active support and cooperation of duly accredited civilian law officials in the illegal actions of the UMW against the owners of private property.

To those interested in a further study of the legal protection extended to union labor, I suggest a careful review of the trial last winter of John W. Lewis by a Federal Court in Washington, D. C.

Aims and Objectives of Union Labor

As to the aims and objectives of union labor, there can be little doubt left in the minds of careful students as to what they are driving for and I fail to see any existing power to prevent their achievement. Immediately after the end of the recent Chrysler strike, Walter Reuther, President of the UAW, announced plans for increasing their present $100 monthly pension to $200 in the course of five years more. The Secretary of that Union was credited in the press with this statement: "Eventually, given enough time, we will take *all* the profits of the auto companies."

More recently, immediately after the signing of the five-year contract with General Motors, Walter Reuther announced at a news conference that before the expiration of the first year, the UAW will be planning their strategy for demanding a twelve-month job and wage guarantee. Also he said: "The owners of the auto companies should not charge fixed but fluctuating prices for their product so as to eliminate peaks and valleys of unemployment." In other words, they are planning to take over the functions of the owners.

The public optimism over the General Motors agreement stems from the assumption that these increased wages can be passed on to the public by higher prices but this ignores the existing situation in the coal mining and railroad industries and the coming serious competition in the auto industry when its current extraordinary boom passes.

The Specific Problem of the Owners

To simplify what the New Industrial Revolution means to the owners I will cite the hyothetical case of one owner, one mechanic and one machine tool. This tool cost $100,000, and in normal times the wages of the mechanic were $4,000 and the owners profits $6,000, annually, a return of 6% on his investment. Along comes a boom similar to the existing one and the profits of the owner doubles to $12,000 which the mechanic knows about, so the latter demands and receives wages of $8,000 plus a five-year contract for that amount based on the prosperity period of the business cycle. Then, when normal times return we find that the owner must content himself with only a 2% return on his investment, or $2,000. This makes it clear that the only possible source of additional wages, providing that efficiency of management and productivity of the mechanic remain unchanged, is from the owner's share of the profits.

Final Result of the New Industrial Revolution

It appears clear that union labor has set out to achieve two main objectives which they are making no attempt to keep secret. First, to take most all the profits of corporations for the union. Second, to take over the control and management of the corporations regardless of the rights of the owners.

Those wise persons who read "Hitler's "Mein Kampf" were not misled by the Munich "peace-in-our-time" agreement, (similar to the recent five-year contract between the UAW and GM), since Hitler almost accomplished everything he wrote in his book. Today, those who study carefully the announced aims of union labor need have little doubt as to what the New Industrial Revolution will mean to the owners of our private corporations.

The significant difference between the Old and the New Industrial Revolution is this: in the former, the owners kept the major share of the profits; in the latter, union labor will take the lion's share.

King Merritt Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Ivan M. Steele is with King Merritt & Co., Inc., Chamber of Commerce Bldg.

Merrill Lynch Adds

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif. — Robert A. Barton has been added to the staff of Merrill Lynch, Pierce, Fenner & Beane, 1319 Franklin Street.

Joins Milton Powell

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif.—Robert L. Johnson has joined the staff of Milton C. Powell Co., Security Building.

Connecticut Brevities

Hamilton Standard division of **United Aircraft Corporation** has developed an eight-bladed propeller for use on high-powered gas turbine engines developing over 5,000 horsepower. The propeller actually consists of two four-bladed propellers, one in front of the other on a dual shaft, which are geared to rotate in opposite directions. This propeller, which will soon be delivered to the Navy, will make it possible to deliver two to three times the thrust of any turbo-jet engine presently in production.

* * *

Directors of **Phoenix State Bank & Trust Co.** and **Park Street Trust Co.** have voted to recommend merger of the two banks under a plan whereby stockholders of Park Street will receive 1¼ shares of Phoenix and $75 in cash for each share. Stockholders of both banks will meet in July to vote on the proposal. If approved, the merger would be effective as of the close of business on Sept. 29. Park Street Trust would then be operated as a branch of Phoenix.

* * *

Peter Paul, Inc., has announced plans to start construction early in 1951 of a $3 million plant at La Grange, Ill. The new plant will contain 218,000 square feet of floor space, larger than any of the company's four other plants. Expansion of facilities at the main plant in Naugatuck, Conn., which is scheduled for completion July 24, will increase production capacity 50%.

* * *

Waterbury Battery Company, one of the major manufacturers of batteries for railway crossing signals and general industrial uses, has moved its operations from Waterbury to Plainville. The new plant consists of four buildings, which are more modern and better adapted to the company's operations. The Plainville plant was purchased from Trumbull Electric Manufacturing.

* * *

Connecticut Cabinet Corp. has acquired Cron-Kills Co., Inc., of Piqua, Ohio, producer of bedroom furniture, and will convert its plant to production of television and radio console cabinets. In addition to its main plant at Mystic, Conn., Cabinet has a plant at New Albany, Ind. The three plants will have a capacity of over 2,000 cabinets a day.

* * *

Landers, Frary & Clark Manufacturing Co. plans to move its plastic division from Plainville to the main plant at New Britain, where it will occupy space formerly used by the cutlery division. The plastics which the company molds are used on its appliances and hardware lines. The Plainville plant will be sold.

* * *

Directors of **Riverside Trust Company of Hartford** and **Portland Trust Company** have approved plans for a merger of the two banks. Stockholders will meet Aug. 3 and, if approved, the merger will be effective on Sept. 28. Prior to the merger Riverside plans to increase its capital from $300,000 to $375,000 through rights on a one-for-four basis at $50. Portland will have a similar increase at $25 a share, to increase its capital from $100,000 to $125,000. The plans of merger call for an exchange of each share of Portland into a share of Riverside. The new bank will have a capital of $500,000 and a surplus of $800,000. Portland Trust will become a branch of Riverside.

* * *

Pitney-Bowes, Inc., plans to construct an addition to its plant at Stamford, which will provide a 17% increase in floor space. The company stated that new orders in 1950 were running 20% ahead of the same period in 1949.

* * *

Yale & Towne Manufacturing Company announces the purchase of a plant at Berrien Springs, Mich., from Clark Equipment. The company plans to move its door-closer and lock division from Chicago to the new plant, which will commence operations Sept. 1 with 400 to 500 employees.

Joins Clyde C. Pierce

(Special to THE FINANCIAL CHRONICLE)

JACKSONVILLE, Fla.—Harold M. Van Husan has become associated with Clyde C. Pierce Corp., Barnett National Bank Bldg.

J. A. Rayvis Adds

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Benjamin L. Bird has been added to the staff of J. A. Rayvis Co., Inc., Langford Bldg.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Charles J. Powers is now with Waddell & Reed, Inc., of Kansas City, Mo.

Florida Secs. Co. Adds

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla.—William H. Hatfield has become affiliated with Florida Securities Co., Florida National Bank Bldg.

Merrill Lynch Adds

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla.—Paul B. Good has been added to the staff of Merrill Lynch, Pierce, Fenner & Beane, 568 Central Avenue.

Ford's Approach to Better Collective Bargaining

By KARLTON W. PIERCE*
Manager, Industrial Relations Planning Department, Ford Motor Company

Ford Motor official, holding in spite of its many faults, collective bargaining is good instrument for solving labor-management problems, asserts it can be effective only when "we have freedom to work out our own solutions." Describes Ford negotiation procedure, and deplores "fact-finding" interference in labor-management relations. Wants businesslike approach in collective bargaining.

Just how do national negotiations between a large company and a large, powerful union work? What really happens in these closed meetings?

Karlton W. Pierce

A cartoon I saw recently gives an idea of how our work probably looks to many people. Three little boys, dressed in war outfits—paper helmets, wooden swords, and tommy guns, were just standing around looking bored and dejected, their wooden swords dragging on the ground. One of the little boys was saying to the others, "This playing war isn't very exciting—let's play labor-management."

Those of us who are sitting on the national negotiating committees sometimes feel a small war would be a lot less strenuous than what we're doing. Many exciting crises occur in the labor negotiations of a large company, but what I want to talk about today is an approach to collective bargaining which is an attempt to get away from the old blood-and-thunder union negotiations where power alone is king—the power of the labor leaders of a large and strong union versus that of a company. I feel that a more mature business-like approach would be far better for the companies, the unions, the public, and the economic well-being of our country.

Before getting into just how we at Ford try to follow a mature approach, I'd like to mention—as background — a couple of basic points in our philosophy toward collective bargaining.

First, we believe that collective bargaining, in spite of its many faults, is a good instrument for solving management-labor problems in industry. It has not always worked smoothly—sometimes it hasn't worked at all. That's true of many other things in the world, but it is not a sound reason to condemn them. The same thing might even be said of our form of government—that it doesn't always operate the way we'd like it to—but we certainly don't condemn the whole democratic system just because of that.

During the past 15 years, both companies and employees have found free collective bargaining a flexible and useful instrument. I think it is proving itself a sound technique—we just have to learn to use it.

You'll notice that I said *free* collective bargaining. We won't learn to use the technique better if either labor or management is to rely on *Government* "fact-finding" to settle disputes. When Government steps in, we no longer have real collective bargaining. The issues are no longer subject to unhampered settlement between the two parties and there is no real meeting of the minds.

*Address by Mr. Pierce before the Civitan Club, Washington, D. C., June 27, 1950.

Collective bargaining can continue to be a useful device only so long as we have the freedom to work out our own solutions.

So much for our general views. Now, as to how we try to use a better approach to free collective bargaining than the old power methods:

Behind the Scenes Approach

In this approach much goes on behind the scenes in our company that the public doesn't hear about. The crises that make the headlines involve only a very, very small portion of the time we spend on negotiations.

Much of the time, perhaps most of it, is spent on careful preparation for negotiations before the collective bargaining ever starts. We feel that, no matter how well off a company is in its labor relations, it cannot afford to play a hit or miss game at the bargaining table. If it is to follow the mature approach to bargaining, it must be thoroughly prepared.

Some unions recognized this need for preparations some time ago. Many of the large unions, like the United Automobile Workers, have large research and analysis staffs to prepare the union side of the picture. They enjoy an advantage in this because they can use much the same material in bargaining with each of the many companies with which they have contracts.

At Ford, our company preparations for bargaining are a year-round affair in many respects. Within the company we continually collect from our more than 100 plants, parts depots, and sales offices located in 28 States statistics on wages, hours worked, payrolls, employment, employee age and length of service, absenteeism, labor turnover, strikes and work stoppages, employee grievances, employee disciplinary cases, accident rates and others of that nature. Our analyses of these statistics give us a pretty good picture of Ford's internal trends on these quantitative things which will come up in negotiations.

We also gather statistics on a continuing basis from outside the company on many of these same subjects. Analysis of these data in conjunction with our own Ford statistics makes useful comparisons of the entire automobile industry, other industries, and the national picture with Ford's own situation. We also analyze such things as the cost of living in relation to Ford wages and wages elsewhere.

Current negotiations and bargaining trends of other automobile companies and companies of other industries are followed the year round. Developments around the country usually have an important bearing on what the union demands and attitudes will be at Ford. Much as we dislike this "me too-ism," it seems to be uppermost in the thinking of the large unions. We feel very strongly that collective bargaining should be a matter for each individual company to handle based on its own situation. So-called "pattern" settlements should not be pushed onto companies by unions without regard for differences between the individual companies.

We try to predict probable union demands by continually following Ford union newspapers and periodicals and those of the International UAW and other large unions around the country.

Pending and proposed legislation which may affect our negotiations is also studied. Proposed revisions in the Federal Social Security law, for example, had a very important bearing on our pension negotiations last summer.

To attempt to keep informed on what our 145,000 employees are thinking, we conduct employee opinion surveys, usually with the help of an outside opinion survey consulting firm. Of course, we have other important planning uses from these opinion surveys. Measurement of employee morale, through employee opinion surveys, is the most positive means we have of evaluating the effect of industrial relations policies and programs and their administration by the supervisors. Information obtained from employee opinion surveys enables Industrial Relations to make future plans in terms of past results.

In our 1947 negotiations with the United Automobile Workers an example of what can happen when union leaders are too far out of touch with the wishes of the employees they represent occurred. The national union bargaining committe wanted a pension plan, and Ford offered one because we felt it was needed at Ford. However, the union committee was split in its views, so we offered two alternate settlement packages—one with a pension plan and a wage increase, the other with no pension plan but a larger wage increase. The union leaders signed the two alternate settlements but were certain the employees would choose the one with the pension plan. In the ratification vote, the employees turned down the pension plan in favor of the larger wage increase.

Of course, as the time for national negotiations draws near, our planning and analysis activity steps up. We study previous union statements and tactics which might be used again. We prepare special studies on the costs of anticipated union demands such as wage increases, group insurance plans, paid holidays, changes in the vacation plan, night premiums, overtime pay, number of union representatives in the shops and other such material.

Aside from the economic issues, the contract on working conditions and day-to-day relations with the union and employees is open in some of the national negotiations, as it was last year. This contract is a book of over 100 pages, so you can see that it involves a lot of bargaining whenever it is opened. In preparation for this, proposed company changes in the contract are prepared along with arguments for the changes. Also, anticipated union demands for changes are studied and arguments developed against those that are not reasonable.

Months in advance of the actual negotiations last year a "pre-negotiations" committee was set up with representatives of the Finance Office, Legal, Manufacturing and other departments, in addition to the Industrial Relations staff, to review the preparations and to make recommendations to the top policy executives of the company. These top policy people study the recommendations and we are then in a position to enter the negotiations on an informed, well-prepared basis.

Negotiating Teams

Finally the company negotiating team is selected, and the pre-negotiating committee is disbanded. Of course, several people on the negotiating group had been members of the pre-negotiating study committee. Most of the negotiating team are from the Industrial Relations staff. The negotiating committee is headed by the Vice-President-Industrial Relations. From time to time we call upon other company specialists, such as a representative of the Finance staff, and outside consultants in other fields of technical advice or assistance on specific problems. For example, our consulting actuary was of considerable assistance to our negotiators in our discussions of retirement plans last year.

We try each year to get the union to agree to small negotiating teams of no more than six people on each side. We feel that a small group can get the job done on a more business-like basis. However, each year, thus far, the union has still insisted on a large committee of 15 to 18 on their side.

The results of the extensive planning and resarch were furnished to each member of the company negotiating committee in the form of several bulky notebooks for their use in the bargaining sessions. Last year one of these books contained statistical analyses of the types I described earlier, another covered pensions—analyses of plans likely to be proposed and those in existence elsewhere, the effect of Federal Social Security at the time and in the future, and other general background information. One covered the same sort of thing on group insurance plans. Still another contained general information on our contract negotiations and those of other companies.

This material, of course, includes much more information than is actually used. But the big value of such information is the ready reference use for any problem which might be reasonably expected to arise. Many of the facts provide ready proofs to refute unreasonable arguments. This is one sure way to limit long-winded arguments.

Preparation of this sort for bargaining pays off not so much in single dramatic incidents as it does in the attitude of confidence of the company negotiators and in countless little ways that might eventually add up to stalemate or success.

As to the actual meetings, our national negotiations with the UAW usually start out with two or three half-day meetings a week. We meet on neutral grounds, usually in a Detroit hotel. The frequency of meetings soon steps up to above three all-day meetings per week, with a break of a couple of hours at lunch time to give both the company and union teams a little time by themselves to plan positions and tactics.

The next stage in the changing pace of bargaining with the UAW is to increase the meetings to four or five days a week. Then, after several weeks or months of bargaining, the hot tempo comes—daily sessions running day and night six or seven days a week. Under this UAW pattern this culminates, after several days of almost no time off for sleep, with a final session of 24 to 36 hours of continuous bargaining, when even meals are often skipped.

This, I should emphasize, is a description of what has happened in the past—not the way we think it ought to be. This heavy meeting schedule seems to be a ritual with some large unions, a part of the show for the benefit of "the constituents" to show how the union leaders "squeezed the last possible ounce" from the company. Actually we sometimes come out with practically the same settlement that could have been reached a week or so earlier without the "ritual" sessions. Personally, I feel that we could reach settlement in a much more business-like fashion by a lighter schedule of meetings and more time for the parties to have by

Continued on page 25

Mutual Funds

By ROBERT R. RICH

Sales-Redemption Ratio Continues Decline

The ratio of mutual funds' sales to repurchases dropped substantially in the second quarter of 1950, continuing the decline which began in the fourth quarter of 1949.

All three groups of funds have been declining steadily since the third quarter of 1949. The bond and specialty funds' group had sales only 1.1 times repurchases this last quarter, compared with 2.38 in the third quarter of 1949. The common stock funds' group, which has shown the greatest decline, was in much the same position, with sales only 1.34 times repurchases for the second quarter of 1950, compared with a ratio of 6.39 in the third quarter of 1949.

Balanced funds' sales were 3.17 times repurchases this last quarter, compared with a ratio of 7.05.

Ratios of Sales to Repurchases, By Quarters*

January 1, 1949, to June 30, 1950

Fund Group	No. of Funds In Group	2nd Qtr. 1950	1st Qtr. 1950	4th Qtr. 1949	3rd Qtr. 1949	2nd Qtr. 1949	1st Qtr. 1949
Common Stock	43	1.34	2.58	3.71	6.39	6.12	4.23
Balanced	27	3.17	4.54	5.10	7.05	5.74	5.48
Bond & Specialty	26	1.10	1.48	1.61	2.38	1.58	1.72

*Figures are number of times sales exceed repurchases.

One possible, and palatable explanation, is that repurchases, which have been rising, were for profit-taking, and sales, which have been declining, were less because of investors' "price resistance" during the boom which recently halted.

If this thesis is correct, then mutual fund investors are more astute than the average investor, who "buys high and sells low," according to the well-worn and questionable cliche of the "Street." Such an argument implies that mutual fund sales do not follow closely the general pattern of stock-buying on the exchange, which is higher during "bull periods" than during the quiescent slumps. It also attributes a remarkable degree of omniscience to mutual fund investors, who decrease their buying rate and increase their selling rate just before the top of the boom.

In view of these improbable implications, it might be better to search for alternative explanations.

One such explanation is that mutual funds may have reached the end of an "easy selling" period in their growth. Dealers—and the Funds themselves—may have to be more imaginative and more aggressive in their selling approaches.

In a competitive economy—as ours is in the main—it is only common sense to recognize that men exert themselves in directions in which the reward is greatest. Dealers will only make efforts in selling mutual funds' shares commensurate with the rewards.

The answer to this situation is plain. Since increasing the sales load is impossible in many specific cases, because of the legal requirements, the only solution is to make it easier for dealers to sell mutual funds. One such example is the Mutual Fund Institute's imaginative program of investment education for women. Another example is an article by A. C. Munderloch, entitled "Organizing Your Sales Talk," which appeared in a recent issue of Investors Diversified Services "Broadcaster." This article managed to be both instructive and interesting.

More basic is the problem of the distributive mechanism in the mutual funds' industry. Can liaison between the dealers and the Funds be improved? What is the correlation between sales load and total net assets? In other words, do funds with high sales loads have larger total assets than those with no sales load? How much base sales and market research is being done by the Funds? This column will try to answer some of these questions. The Funds themselves can answer the last one.

Open-End Statistics — June 30, 1950

96 Open-End Funds
(000's omitted)

Total Net Assets

	6-30-50	3-31-50	12-31-49	6-30-49
43 Common Stock Funds	$1,000,665	$1,019,136	$942,952	$718,140
27 Balanced Funds	608,337	587,941	540,932	423,733
26 Bond & Specialty Funds	506,917	512,378	489,663	394,360
96 Total	$2,115,919	$2,119,455	$1,973,547	$1,536,233

Sales

	2nd Quarter 1950	1st Quarter 1950	1st 6 Mos. 1950	1st 6 Mos. 1949
43 Common Stock Funds	$47,579	$60,640	$108,219	$68,228
27 Balanced Funds	43,540	46,800	90,340	55,033
26 Bond & Specialty Funds	32,297	32,916	65,213	37,256
96 Total	$123,416	$140,356	$263,772	$160,517

Repurchases

	2nd Quarter 1950	1st Quarter 1950	1st 6 Mos. 1950	1st 6 Mos. 1949
43 Common Stock Funds	$35,458	$23,510	$58,968	$13,397
27 Balanced Funds	13,734	10,319	24,053	9,818
26 Bond & Specialty Funds	29,214	22,202	51,416	22,492
96 Total	$78,406	$56,031	$134,437	$45,707

Net Sales

	2nd Quarter 1950	1st Quarter 1950	1st 6 Mos. 1950	1st 6 Mos. 1949
43 Common Stock Funds	$12,121	$37,130	$49,251	$54,830
27 Balanced Funds	29,806	36,481	66,287	45,216
26 Bond & Specialty Funds	3,083	10,714	13,797	14,764
96 Total	$45,010	$84,325	$129,335	$114,810

	2nd Quarter 1950	1st Quarter 1950	1st 6 Mos. 1950	1st 6 Mos. 1949
New York Stock Exchange Volume (No. of shares—not dollars; 000's omitted)	125,496	116,393	251,889	112,401

Figures compiled by National Association of Investment Companies.

Business Shares Position Explained

On June 23, just prior to the sharp break in the market, American Business Shares had 44.5% of its net assets invested for capital stability: 39.3% in United States Government bonds and cash and 5.2% in high-grade corporate bonds — all preferred stocks had been eliminated.

From June 23 to July 7, the value of this capital stability section declined only three one-hundredths of 1%, while the stock market, as measured by Standard & Poor's 90 Stock Index, declined 7.7%. As a result, the net asset value of the common stock of American Business Shares, Inc. declined only 4.5% in the period.

Of even greater interest are the procedures in arriving at the amount of securities held for capital stability on June 23. It was not accomplished by attempts to buy common stocks just before short-term rises or sell common stocks just before declines, but rather from the shifting of common stocks to bonds as stock prices moved into higher ground. The Company's procedure is illustrated by the **following table which shows the percentage of its net assets invested for capital stability** at the end of each month, beginning July 31, 1949.

1949

July	Aug.	Sept.	Oct.	Nov.	Dec.
33%	29%	27%	34%	35%	34%

1950

Jan.	Feb.	Mar.	April	May	June
38%	40%	40%	44%	44%	47%

The increase in the capital stability section from June 23 to June 30 resulted from the decline in stock prices and not from changes in the portfolio, an automatic result in a balanced fund.

Principally by sales of common stocks to increase the capital stability section, the Company realized net security profits of approximately $1,150,000.

Fund Purchases Exceed Sales in Break

The National Association of Investment Companies announced the results of a survey of purchases and sales of securities by leading mutual funds during the recent severe break in prices in the week ended June 30. The survey, covering 64 of the larger mutual funds having total net assets of more than $2,000,000,000 on June 30, revealed that the dollar value of portfolio securities purchased by the Funds was more than twice the dollar value of securities sold.

Purchases of portfolio securities (excluding governments) during the week ended June 30, when the Dow, Jones averages declined by almost 7%, totaled $13,822,000, or more than double sales of $6,228,000, resulting in net purchases of $7,594,000.

Total redemptions by shareholders of these Funds were $8,161,000, or less than four-tenths of 1% of total net assets. These redemptions were more than offset by the sale of new shares in the amount of $8,953,000. Sales of new shares thus exceeded redemptions by $792,000.

Wellington Approach To Be Cautious

Wellington Fund in a special memorandum on its investment policy reported that its common stock ratio is just under 60% and that its cash and government bond reserve is a little above 20% of assets.

The policy of the $125,000,000 Fund at this time, it was stated, is emphasizing income and conservation of principal in the belief that emphasis on appreciation in view of the Korean incident would involve undue speculative risk.

"We believe," the memorandum stated, "we should maintain a long term viewpoint so that the weight of the portfolio is on a sound long range basis, even though war may temporarily be depressing. It would be unwise to become over-weighted with doubtful or speculative securities which may temporarily be in a war-benefited position. We have not reduced our holdings in sound companies with good long-term outlook. We have added very moderately to our holdings of transcontinental railroad stocks as well as several railroad bonds."

Reviewing Wellington's policy, the memorandum noted that the Fund has been moving in a cautious direction during the last several months "because the stock market had risen to a level high enough to call for increased conservatism." Common

Joins William S. Beeken

(Special to THE FINANCIAL CHRONICLE)

WEST PALM BEACH, Fla.—Edgar W. Porter, Jr., is now connected with William S. Beeken Co., Harvey Bldg.

stock ratio, it was pointed out, had been reduced from a peak of approximately 65% to 61.7% by June 25 before the outbreak of war, and new additions to portfolio were predominantly high quality securities of companies in a strong trade position.

Affiliated Repays Debt

Affiliated Fund, Inc. repaid the last $6,000,000 of its borrowed money on June 15, it is revealed in its third quarter report. There were $24,000,000 in loans outstanding at the end of 1949.

On July 6, the Company had net assets of $98,680,081, or $4.23 a share, compared with net assets of $88,914,179, or $3.88 a share at the end of its last fiscal year, Oct. 31, 1949.

National Shares Reports

Net asset value of National Shares Corporation on June 30, 1950, amounted to $28.63 per share according to the corporation's semi-annual report to be issued to shareholders July 15. This compares with $25.03 per share on June 30, 1949, and $29.26 per share on March 31, 1950. The corporation has 360,000 shares of capital stock outstanding. Net assets on June 30, 1950, totaled $10,309,505, based on market quotations on that date, compared with $9,011,861 on June 30, 1949, and $10,533,859 on March 31, 1950.

Common stocks held by the corporation constituted 80.2% of total assets on June 30 last. Cash, U. S. Government obligations and receivables represented 15.4% and preferred stock 4.4%.

Wall Street Grows

Wall Street Investing Corporation on June 30, 1950, had net assets of $1,909,430, equal to $10.83 a share on 176,257 shares of outstanding stock, according to the semi-annual report for the half year. These compared with net assets of $1,499,830, or $10.43 a share on 143,772 outstanding shares, on Dec. 30, 1949. Investments in stocks on June 30, 1950, comprised 78.3% of net assets while 21.7% of net assets was in cash and U. S. Government securities.

Texas Fund Increases Capitalization

Shareholders of Texas Fund, Inc., have voted to increase the authorized capitalization of the Fund from 500,000 to 5,000,000 shares, and to ratify an amendment to the Investment Advisory Contract between the Fund and its advisors to provide that payments made under the contract be paid at the end of the Fund's fiscal quarter.

At the meeting, held July 12, 127,707 shares were represented.

Funds Assets Increase

Net assets of 96 open-end or mutual funds were $2,115,919,000, compared with $1,973,547,000 six months earlier and $1,536,233,000 a year ago, according to the National Association of Investment companies' report.

Sales of new shares by the 96 mutual funds amounted to $263,772,000 for the first six months of 1950, and net sales, after redemptions, were $129,335,000. Gross and net sales for the same period last year were $160,517,000 and $114,810,000, respectively.

Hamilton Funds Offers

Hamilton Funds, Inc., Denver, Colo., July 11 filed a registration with the Securities and Exchange Commission covering 1,000,000 shares of Series H-C7 and 1,000,000 shares of Series H-DA. The Hamilton Fund Periodic Investment Plan is offering $12,000,000 face amount of Hamilton Fund Periodic Investment Certificates, Series H-DA. Underwriter is Hamilton Management Corporation of Denver Colorado.

Public Utility Securities

By OWEN ELY

Outlook for Heavier Taxes Emphasizes Div. Payout

The recent market decline, particularly in its latter stages, hit utility stocks more heavily than most other groups—apparently because of fears of drastic effects of any increase in Federal taxation on utility earnings. It is of course difficult to generalize, since Federal income taxes vary somewhat with different companies in relation to net earnings for common stock. However, an increase in the corporate tax rate from 38% to 41% (as envisaged in the recent tax bill passed by the House, but dropped by the Senate) would reduce electric utility earnings available for common stock about 4-5%, it is estimated. An increase to 45% would mean a loss of some 10-12%, and with a jump to 50% (about the highest rate considered possible), earnings for common stocks might be reduced some 18-20%.

There has been some fear that excess profits taxes will be reimposed (as in 1940-45) as a partial substitute for high income tax rates. This tax was extremely complicated in its application and it is to be hoped that it will be modified and simplified if it again comes into use. The utilities are heavily bonded as compared with most industrial companies, and would again be hurt if they were allowed a return on only half their funded debt, as previously. Some of the holding companies like General Public Utilites might fare very well however, by using the invested capital basis and employing the high original acquisition costs of their properties (in cash or securities) in the 1920 markets.

Many utility stocks now yield almost as much as a year ago before the bull market started: while they haven't lost all their bull market gains, earnings and dividends are higher, in many cases, than a year ago. In selecting utilities for purchase at this time, it might be worth while to pay special attention to companies which are paying out a relatively low proportion of earnings (the average payout is about 70%). The accompanying table lists larger electric utilities (with revenues of over $25 million) which are paying out less than 70% of their earnings and which might therefore be better able to maintain present dividend rates despite any sharp increase in taxes.

Of course, theoretically, all utilities should be able to recoup any substantial loss in earnings by charging higher rates. However, many state commissions are slow to act or reluctant to grant increases, for one excuse or another—state politics and the "party line" are sometimes a factor. Hence it seems safer to count on current excess earnings as a "bird in hand" so far as protection of present dividend rates is concerned.

Stocks of Large Electric Utilities With Less-Than-Average Dividend Payout

	7-13-50 Price	Div. Rate	% Yield	Share Earn.	Price-Earn. Ratio	Div. Payout
Duke Power	90	$4.00	4.5	$8.79	10.2	46%
Florida Power & Light	16	1.20	7.5	2.22	7.2	54
Houston Light & Power	49	2.20	4.5	3.96	12.4	56
General Public Utilities	15	1.20	8.0	2.07	7.3	58
Indianapolis Power & Light	26	1.60	6.2	2.78	9.4	58
West Penn Elec.	21½	1.80	8.4	3.12	8.0	58
Texas Utilities	22	1.28	5.8	2.23	12.5	58
Louisville G. & E.	32½	1.80	5.6	3.10	10.5	58
Philadelphia Elec.	24	1.20	5.0	2.01	12.0	60
Detroit Edison	21½	1.20	5.6	1.96	11.0	61
Public Service of Colorado	24	1.40	5.9	2.30	10.4	61
New England Elec. System	10½	0.80	7.6	1.30	8.1	62
Central & South West	12½	0.90	7.2	1.45	8.6	62
So. Calif. Edison	32	2.00	6.3	3.19	10.0	63
New England G. & E.	13	0.93	7.2	1.45	9.0	64
Cincinnati G. & E.	29	1.80	6.3	2.82	10.3	64
Ohio Edison	28½	2.00	7.0	3.12	9.2	64
Consol. Edison of N. Y.	26½	1.60	6.1	2.47	10.8	65
Carolina P. & L.	28	2.00	7.2	3.06	9.2	65
Penn. Power & Light	22	1.60	7.3	2.44	9.0	66
Southern Company	10½	0.80	7.6	1.21	8.7	66
Niagara Mohawk Power	19	1.40	7.4	2.08	9.1	67
Northern States Power	10	0.70	7.0	1.05	9.5	67
Middle South Util.	15½	1.10	7.1	1.63	9.5	68
Northern Ind. P. S.	18	1.40	7.8	2.05	8.8	68
Gulf States Util.	19	1.20	6.3	1.74	10.9	69

Nichols Gov. of NY Stock Exch.

Emil Schram, President of the New York Stock Exchange, has announced the election of Thomas S. Nichols as a Public Governor of the Exchange.

Thomas S. Nichols

Mr. Nichols is Chairman of the Board and President of Mathieson Chemical Corp., and President and a director of Mathieson Building Corp. His other directorates include Bigelow Sanford Carpet Co., Baltimore National Bank, U. S. Fidelity and Guaranty Co. of Baltimore. He was nominated by Mr. Schram.

The other Public Governor of the Exchange is Gale Faulconer Johnston, President of the Mercantile-Commerce Bank and Trust Co., of St. Louis, elected last year.

Following nine years association with E. I. du Pont de Nemours & Co., Mr. Nichols was elected Vice-President and director of Prior Chemical Corp. During World War II, Mr. Nichols was a member of the Chemical Bureau of WPB, and Chairman of the Sulphuric Acid Operating Committee, as well as a member of the Harriman Mission to London for the State Department and a member of the Technical Industrial Disarmament Committee. He became the head of Mathieson Chemical Corp. in 1948.

With Shillinglaw, Bolger

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Albin G. Swanson is now associated with Shillinglaw, Bolger & Co., 120 South La Salle Street.

"Nickel Fare" Decision May Make New Jersey Utilities Unpopular

By JOHN DIXON

Writer attacks recent decision of Supreme Court of New Jersey ordering a reduction of fare from 7c to 5c on bus line subsidiary of Public Service & Gas Company in New Jersey. Says order will adversely affect securities of N. J. utilities.

The Supreme Court of New Jersey recently ordered Public Service Coordinated Transit (bus subsidiary of Public Service Electric & Gas) to reduce its basic fare from 7¢ to 5¢ "forthwith," and the company hastily complied. The increased fare had been allowed by the Board of Public Utility Commissioners in 1948 to offset a substantial wage increase.

Using the rate base as allowed by the Board, the company is earning about 8%. But the Supreme Court, by eliminating over $17 million intangibles in the rate base, derived a rate of return of over 12%, which it held to be "manifestly extortionate and unreasonable." The Court did not question that the $17 million represented money invested by the company in properties "acquired at arms' length bargaining." Without making the point very clear, it adhered to the theory of "original cost when first devoted to public service," and did not even allow inclusion of that portion of plant acquisition adjustments which is being amortized by permission of the SEC ($6.5 million).

In the past the State of New Jersey has been one of the "fair value" States, the rate base of any utility being fixed by taking into account various factors of value such as those mentioned in the old Smyth vs. Ames decision of the U. S. Supreme Court. According to a study of State Commission regulation made by the Federal Power Commission in 1948, only eight States specifically use straight original cost in determination of the rate base. Others use prudent investment, reproduction cost, reasonable historical cost, fair value, "all elements considered," etc. If the New Jersey Supreme Court adheres to the view expressed in the bus decision, it now appears that New Jersey must be added to the small list of "original cost" States. However, the Court left the door open slightly by holding that the "burden of proof" was on the company to show that the $17 million should be included.

While the Court did not definitely state what it considered a fair rate of return, a figure of 5% was mentioned, and current "low money rates" were also referred to. The Court also stated that the rate should be high enough to enable the utility to raise new money. But this idea was not implemented by analysis or discussion. Did the Court assume that a transit company could go into today's market and obtain money through new security offerings at an over-all rate of 5 or 6%? That would seem to be the assumption. If so, the Court has sadly confused the transit business with the electric power business. And even the electric power companies would have difficulty now in financing on an over-all 6% basis—practically all stock financing has been postponed since the "war scare" struck the market.

Even the best transit company stocks sell on a high yield basis—the average is about 11%. Stocks of large companies like National City Lines and Greyhound Corp. sell to yield 10-13%, although their dividends are being earned by a fair margin. Cost of equity financing would, therefore, be well above 10% even without the war scare.

The Court talks about "low money rates" but it apparently made no check as to whether transit companies can issue bonds. Most of them don't have many bonds left outstanding—the industry is such an irregular earner that it must finance largely on an equity basis, although some equipment trust financing can be done. Public Service Coordinated Transit's debt is only $6.6 million, compared with the stock equity of $27.3 million; the mortgage bonds, bearing rates of 4% to 6%, were issued many years ago. Most transit bonds sell on a high yield basis—the average for 14 issues was 7.7%, according to the latest compilation by Standard & Poor's.* Obviously the industry doesn't enjoy very high credit. The New Jersey Supreme Court should have explored the question of "fair return" more carefully if it expects the Public Service bus company to do future financing on the earnings from a nickel fare.

The main contention by the Supreme Court of New Jersey was that the Board of Public Utility Commissioners had been delinquent in using the book figures supplied by the bus company. Apparently they felt that a good case should have been built up, either by the company or the Board, for using some rate base figure in excess of original construction cost. Also they criticized the Board's failure to examine into certain joint expense items of the parent electric-gas company and the bus company. At the conclusion of its June 27 decision the Court set aside the increase and ordered the cose "remanded to the public utility commissioners . . . to the end that an adequate rate base and a permanent rate may be established . . ." Thus it now seems up to the Board to convince the Court that "original cost" is an impracticable rate base in this instance, if the people of New Jersey want a soundly-financed, healthy bus system.

*Bond Selector, Industry Groupings, page 17 (June 28, 1950).

Joins Barrett Herrick

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Frank W. Beyer is now affiliated with Barrett Herrick & Co., Inc. of New York.

Joins Howard, Labouisse

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, La. — Martin A. MacDiarmid has become associated with Howard, Labouisse, Friedrichs & Co., Hibernia Bldg.

With Eaton & Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — William M. Rackemann has been added to the staff of Eaton & Howard, Inc., 24 Federal Street.

Hooper-Kimball Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Harry A. Saunders is with Hooper-Kimball, Inc., 35 Congress Street.

King Merritt Co. Adds

ALLENTOWN, Pa.—Richard H. Timberlake, Jr., is now with King Merritt & Co., Inc.

With Townsend, Dabney

(Special to THE FINANCIAL CHRONICLE)

MANCHESTER, N. H.—Richard S. Andrews has been added to the staff of Townsend, Dabney & Tyson, 28 Victoria Street.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

The nomination by President Truman of Oliver S. Powell, First Vice-President of the Federal Reserve Bank of Minneapolis, to the **Board of Governors of the Federal Reserve System** is announced by Roger B. Shepard, Board Chairman of the Minneapolis bank. Mr. Powell's nomination, which is for the unexpired portion of the term left vacant by the death of Gov. Lawrence Clayton, ending Jan. 31, 1952, was sent to the Senate on July 12. Mr. Powell has been with the Federal Reserve Bank of Minneapolis since 1920 and has been its First Vice-President since 1936. He was born in South Dakota, educated at the University of Minnesota, and was assigned to the Petrograd Branch of the National City Bank of New York at the time of the Bolshevist revolution in 1917. Escaping from Russia via Siberia, he returned to the United States to become a naval officer in World War I.

* * *

The **Chemical Bank & Trust Company of New York** announced on July 13 through its President, Harold H. Helm, that it has leased space for a new branch office at 100 Park Avenue, the new 36-story, air-conditioned office building recently completed on the site of the old Murray Hill Hotel. The announcement stated that the new branch would contain a total of about 15,000 square feet of street floor, basement and mezzanine space at the southwest corner of Park Avenue and 41st Street. Arthur Collins, of Brown, Harris, Stevens, Inc., was the broker in the transaction. The new branch will be designed along modern lines by Walker & Poor, architects. Construction work is scheduled to be completed in time to permit the new office to be opened for business before the end of the year. Full banking facilities will be provided. The first skyscraper to be erected in the Grand Central area since the 1930s and one of the largest postwar office building projects in the country, 100 Park Avenue was designed by Kahn & Jacobs, architects.

* * *

Philip A. Roth of New York has been elected a trustee of **Title Guarantee & Trust Co. of New York**, according to an announcement by Barnard Townsend, President.

* * *

James T. Lee, President of **Central Savings Bank of New York** announced that the appointment of David J. Gamache as Assistant Manager of the bank's 14th Street Office has been approved at a meeting of the Board of Trustees. Mr. Gamache, who started in the employ of the bank in 1928 as junior clerk, has served in many capacities in the Depositors' Department.

* * *

The County Trust Co. and **The Citizens Bank,** both of **White Plains, N. Y.,** were merged on July 11 as stockholders of both institutions met and ratified the merger proposal announced by the banks' directors on May 18, to which reference was made in our June 1 issue, page 2273. According to Andrew Wilson, Jr., Chairman of the Board of County Trust, The Citizens Bank at 130 Main Street will operate as the Citizens Office of County Trust. John Burling, formerly President of The Citizens Bank, will become Assistant Chairman of The County Trust Co., and will make his headquarters at the Citizens Office which will be manned by former members of the staff of the Citizens Bank. With the additional assets acquired from the Citizens Bank, the total resources of The County Trust Co. will exceed $165,000,000, with over $10,000,000 in capital funds. June 30th statements issued by both banks showed the following resources: Citizens Bank, capital, $568,000; surplus, $534,520; deposits, $15,855,027. County Trust, capital, $4,824,800; surplus, $4,224,381; deposits, $136,518,486. Stockholders of the Citizens Bank receive $180 per share, under the agreement worked out to effect the merger, it is stated.

William W. Post, formerly Secretary and Treasurer of The County Trust Co., will become Vice-President and Secretary and Raymond A. Mieczkowski, formerly Assistant Secretary-Assistant Treasurer, will be promoted to the post of Treasurer. In addition, Charles W. Hallock, Elwood W. Cromwell and Isaac Carpenter, Jr., Vice-Presidents of Citizens Bank, now join the officers' staff of County Trust with titles and responsibilities similar to those held with The Citizens Bank. William E. Ackroyd and John C. Holmes will assume duties and responsibilities similar to those which they had with Citizens. L. Ward Prince, a former director of The Citizens Bank, now joins the Board of Directors of County Trust in addition to John Burling. All present members of The County Trust Board of Directors will continue in the same capacity. The Citizens Bank was founded in 1907. Mr. Burling was elected President in 1927. The County Trust was founded in 1903. In 1947 it consolidated with the Washington Irving Trust Co. and the Bank of Westchester.

* * *

In accordance with arrangements heretofore referred to in these columns the consolidation was effected as of June 30 of the **East Hartford Trust Co. of East Hartford, Conn.,** (common capital stock $200,000), with the **Hartford National Bank & Trust Co. of Hartford,** (common capital stock of $5,150,000). The weekly Bulletin of the Officer of the Comptroller of the Currency notes that the consolidation was effected under the charter and title of the Hartford National Bank & Trust Co.; the initial capital stock of the consolidated bank will be $5,500,000, consisting of 550,000 shares of common stock, par $10 each; the initial surplus will be $5,500,000, with initial undivided profits of not less than $3,000,000. Our last previous reference to the consolidation appeared in these columns June 22, page 2583.

* * *

A merger of the **Portland Trust Co. of Portland, Conn.** with the **Riverside Trust Co. of Hartford, Conn.,** has been recommended by the directors of both institutions, and meetings of the stockholders will be held on Aug. 3 to act on the plans. If approved, the merger will become effective Sept. 28. The plans call for increases in the capital of both institutions, it is learned from the Hartford "Courant" of July 7, which said:

"Preliminary to action on the plan for merging, stockholders of both banks will act on recommendations to increase their capital at meetings to be held the same day. Capital of the Riverside Trust Co. will be increased from $300,000 to $375,000 by issuing new shares in ratios of one new share $25 par for each four shares held at $50 a share, adding $75,000 additional to surplus.

"Stockholders of the Portland Trust Co will be asked increase capital from $100,000 to $125,000 in the same ratio and at a premium of $25 a share, adding $25,000 to surplus. The merger will be accomplished by exchanging one share of Portland Trust for one share of Riverside Trust. With consolidation approved the Riverside Trust will have capital of $500,000 and surplus of $800,000. Total resources will be about $17.5 million."

The Portland Trust was organized in 1925 by a merger of the then First National Bank of Portland and the Freestone Savings Bank.

Oliver B. Ellsworth is President of both the Riverside Trust Co. and the Portland Trust Co.

* * *

Advices in the Newark "Evening News" of July 7 to the effect that control of the **Ampere Bank & Trust Co. of East Orange, N. J.** has been acquired by "interests close to **Fidelity Union Trust Co." of Newark,** were said to have been confirmed at the Newark bank. From the "Evening News" we also quote:

"It was said by spokesmen for Horace K. Corbin, Fidelity's President, that operations and the name of the bank would be unchanged for the present. Eventually, it is expected, the bank will become the Ampere branch of Fidelity."

The same paper reported that there are 5,000 shares ($50 par) of Ampere bank stock. Frank C. Ferguson, its President, on July 3 sent out letters to his stockholders telling of an offer at $130 a share. He said in the letter that owners of 75% of the stock had agreed.

* * *

As of June 23 the capital of the **First National Bank of Norwood, Ohio,** was increased from $400,000 to $500,000 by a stock dividend of $100,000.

* * *

Announcement is made by the directors of the **Fort Wayne National Bank, of Fort Wayne, Ind.,** of the death of Frank J. Mills, Vice-President of the bank on July 12.

* * *

The dividend rate on the capital stock of **La Salle National Bank of Chicago** was increased by action of the directors at their meeting on July 13 from $1 per share semi-annually, to $1.50 per share. The dividend is payable 75 cents per share on July 17, 1950 to shareholders of record July 14, 1950 and 75 cents per share on Oct. 16, to shareholders of record Oct. 13. Resources of the bank reached a new high on June 30 of $85,522,625.97 it was pointed out by Laurance Armour, Chairman. John C. Wright, is President. In its July 15 issue the Chicago "Journal of Commerce" stated that Arthur J. McConville has been elected Vice-President and William G. Dahl, Trust Officer of the LaSalle National Bank.

* * *

A consolidation effective as of June 30, of the **Central National Bank of Topeka, Kansas,** and the **Central Trust Company of Topeka,** is announced by the Office of the Comptroller of the Currency; it was effected under the charter of the Central National Bank, and under the title of the **Central National Bank & Trust Company of Topeka.** The initial capital stock of the consolidated institution will be $750,000, comprised of 50,000 shares of common stock, par $15 each. The initial surplus will be $750,000 while the initial undivided profits will be not less than $350,000.

* * *

The stockholders of the **First National Bank of Shreveport, La.,** having approved plans to increase the capital of the bank from $1,500,000 to $2,000,000 by a stock dividend of 33⅓% (or $500,000) the new capital became effective June 28. The plans called for the transfer of $500,000 from undivided profits to capital incident to the stock dividend.

* * *

The United States National Bank of Portland, Oregon, has announced a proposed 20% stock dividend. The action was taken at a meeting of the directors on June 30. The proposal is subject to the approval of the stockholders at a meeting called for Aug. 11, and to the approval of the Comptroller of the Currency it was stated by E. C. Sammons, President of the bank. The plans contemplate distribution of 100,000 shares of stock to stockholders on the basis of one additional share of stock for each five shares now held. It is the intention of the directors to maintain the present rate of dividend of $2 per share annually on all shares issued. This would mean the stockholders would receive an increase in dividends of 20% beginning with the dividend to be issued Oct. 1, 1950, if the proposed action is approved. To finance the proposed stock dividend, the bank would transfer $4,000,000 from its undivided profits account which is in excess of $14,000,000, of which $2,000,000 would go to capital and $2,000,000 to surplus. Present capital structure is 500,000 shares at $20 par, or $10,000,000 and an equal amount of surplus. Under the new program, if approved, the bank's capital would be $12,000,000; surplus $12,000,000; undivided profits in excess of $10,000,000. Incident to the announcement of the proposed stock dividend, interest rate on savings deposits was increased 50%, according to President Sammons. The rate has been increased from 1% to 1½% on savings accounts under $10,000 and to 1% on that portion of deposits in excess of $10,000.

Joins Walston, Hoffman

(Special to THE FINANCIAL CHRONICLE)

BAKERSFIELD, Calif.—Frank E. Warner is with Walston, Hoffman & Goodwin, 1706 Chester St.

Continued from page 8

NSTA Notes

those not traveling on the special train but who wish to avail themselves of the day's planned tour in Washington, the cost will be $12.50 per person.

The complete Convention program will be published and released to the membership the latter part of August.

AD LIBBING

John W. Bunn

George Placky

Presenting John W. Bunn, Stifel, Nicolaus & Co., St. Louis, and George Placky, L. J. Schultz & Co., Cleveland, O. Both are Presidents of their local organization and are members of the National Security Traders Association Advertising Committee.

Last year Cleveland was one of the affiliates that received a participation in our gross receipts which was due largely to their securing of corporate ads. Our National Secretary, Mort Cayne, has initiated this outside advertising drive and we are gradually getting support throughout our whole membership. We are confident that George Placky will top last year's volume. I am sure Mort, in spite of his many other duties, will give you a helping hand.

John Bunn has represented St. Louis before on the National Advertising Committee and we know we can depend on John doing a swell job again this year. With the many large industries local to St. Louis, we're hopeful that John will close some contracts with some of the national advertisers among them. Incidentally, I have seen sincere loyalty by our St. Louis members when out-of-town. For instance, when ordering beer, they invariably ask for "Bud." Concerns in this category are good advertising prospects for our Convention issue of the "Chronicle." John, Teg, Ed Jones, Hank Richter and others will undoubtedly lend you a hand.

I hope to advise our membership shortly on the standing of each affiliate with business closed to date. In the meantime, a little more effort on each one's part will do no harm.

Through Bill Boggs, I have learned Johnny O'Neill has had a slight illness and is confined to his home. Knowing Johnny's temperament and his dynamic personality letters from his NSTA associates would surely be welcome. His address: 2707 Gibbons Ave., Baltimore 14, Maryland.

HAROLD B. SMITH, Chairman
NSTA Advertising Committee
Pershing & Co.
120 Broadway, New York City

P. S.—Ed Welch sure did a remarkable job with his first memo on the Convention.

Dock Vice-Pres. of Albert Frank Agency

George Dock, Jr. has been elected a Vice-President of Albert Frank-Guenther Law, Inc., advertising, it was announced by Emmett Corrigan, Chairman of the Board of the agency. Mr. Dock, who joined the agency last fall, previously had been engaged in newspaper reporting and in financial and industrial sales promotion and public relations work. He had been associated with Halsey, Stuart & Co. Inc., investment bankers, and Fuller & Smith & Ross, advertising. He was director of public information for the Federal Home Loan Bank Board in Washington, D. C., in 1933-36 and is author of "Constructive Customer Relations for Banks," published by the American Institute of Banking. Mr. Dock has contributed articles to the Encyclopaedia Britannica and various magazines and newspapers. He served as a pursuit pilot in the Lafayette Flying Corps in World War I.

George Dock, Jr.

Canova Quits Treasury To Join Cohon Co.

Thomas A. D. Canova has resigned his appointment as Deputy Director with the U. S. Treasury Department's Savings Bonds Division for New York where he served as bond sales promotion and public liaison representative during several national and local campaigns. This has been made public by the announcement that Mr. Canova is now associated with the firm of Morris Cohon & Co., 42 Broadway, New York City, to manage their over-the-counter trading department, effective July 15.

Thos. A. D. Canova

Well known in Wall Street investment, banking and over-the-counter circles for many years as a securities specialist and trader, Mr. Canova was formerly with S. J. Rutberg & Co. and previously in charge of the Government Bond and Investment Department for Schroder Rockefeller & Co., Inc. He is a member of the Security Traders Association of New York.

Tyson & Co Adds Happ to Staff

PHILADELPHIA, Pa. — Henry Joseph Happ, Jr., has become associated with the investment firm of Tyson & Co., Inc., Lewis Tower Building, as a registered representative, it has been announced.

Mr. Happ is a graduate of La Salle College where he specialized in Business Administration and majored in finance and economics. During World War II he fought with the Eight Air Force and was awarded the Purple Heart. He is a recipient of the Certificate of Merit from the Young Men's Christian Association for outstanding service in 1948.

Television Growth

National Industrial Conference Board study reveals output of sets is outrunning estimates. Says a record high output of 1.6 million sets has been produced in first quarter of 1950. Further growth of TV service seen hampered until late 1951 because of FCC's freeze on new stations.

Television production has grown up "even faster than indicated or expected six months ago," according to an analysis just completed by the National Industrial Conference Board.

In November, 1949, the Radio Manufacturers Association thought that 1950 production would be about 3.7 million sets. In February, the figure was raised to 4.5 million, and now the Radio Manufacturers Association has stepped up its estimate of this year's video set output to about 5.35 million.

1950 Television Set Output

Television set output for the first quarter of this year reached a record high of 1.6 million sets. "This peak culminates the climb that brought TV output up to more than 1.3 million in the last quarter of 1949. By contrast, output for the whole first three quarters of 1949 was only about 1.8 million." The analysis notes that "first-quarter business was bolstered by several factors—a heavy run of Christmas orders carried over into 1950, a series of price cuts in January, the veterans' dividend, etc."

At the start of 1950, "there were about four million sets installed. More than six million sets are now in use, and by the end of the year the figure is expected to reach approximately 9 million (on the basis of the latest Radio Manufacturers Association production estimate)."

Seasonal Dip Appears

A steady decline in retail sales of sets has, it is noted, set in since the beginning of April. A seasonal slackening in demand starting in spring and running through the summer "has come to be expected" since the experience of 1949. "However, the seasonal dip this year came sooner and was somewhat sharper than was counted on. While retail sales of TV sets are still well ahead of last year, in the past month or two they had been running, in some instances, as much as 50% below the high March levels."

However, the analysis continues, "only a slight letdown in production appears likely as a result of this seasonal dip in demand. For the industry expects fall demand for sets to be bigger than ever. Hence, TV manufacturers do not want to make too drastic cuts in production lest they find themselves short of supplies when demand picks up again in the fall."

The "spectacular showing" of the first three months, according to the Board, reflects in part the sizable price reductions made in January, which ranged from 15% to 20%. "Summer price cutting has already begun and another average slash in prices of 15% to 20% is expected to be completed this month (June). It is hoped this will stimulate fall sales."

Mass production and price cuts in recent months have raised hopes in the industry that television ultimately "might open up markets as wide as radio's." (There are 80 million radios in operation, including car radios, portables, and other more-than-one-per-family sets. A picture like that for TV "would seem to lie far in the future.")

With markets "somewhat limited for some time by technical factors" of broadcasting, the industry "at the moment seems to be over the hump of its production growth." It is thought that new quarterly output records may well yet be set this year and next. "But the percentage gains from one peak to the next may be small until new markets are created with the opening of additional stations. At such time, another surge in output may be forthcoming."

The Optimistic Side

Some of the more optimistic men in the industry envision considerable expansion of production next year. They foresee possibilities of an early go-ahead signal on new stations, and of reducing station-building time to less than a year. "This would, of course, expand the TV-service market during 1951. On that basis, some expect that output in 1951 might run as high as 10 million sets if no snags develop out of the introduction of a color system."

But the market for television sets cannot be expected to grow much, if at all, until the end of 1951, according to the analysis. The basis for this condition "lies primarily in the Federal Communications Commission freeze" on building new stations.

Factors in the Way

Even if the FCC freeze were lifted in the next few months, the analysis points out, expansion of the television market "will be retarded because construction of a new station takes many months." Station-building time has been figured at 12 to 18 months.

Television Coverage

Television service is now available to 60 metropolitan areas. These cover about 23 million families on the basis of a 40-mile broadcasting range. "But transmission has been found to be quite satisfactory up to 50 or 60 miles. Thus, as many as 28 million families could be served."

Figured on the narrower market base of a 40-mile broadcasting radius and only three-fourths of the covered families as potential buyers, the expected nine million sets in operation by the year-end "would mean a staturation of more than half" the market. "If it can be assumed that three out of every four families of the 28 million in the 50-to-60-mile radius are potential buyers, the 9 million sets in use would comprise about two-fifths of the market."

Should 1951 production run to 6 million or 7 million sets—the first quarter 1950 rate—"it would mean saturation of another quarter or third of the potential market next year. It would raise saturation, by the end of 1951, to about 75% of the 21-million family market that can now get and afford television service. Right now, for example, fully one-third of the families in the New York City viewing area already have TV sets."

Color Television

As for color television, the FCC still has made no choice among the competing systems bidding for approval. The earliest date anyone has mentioned for mass production of color-television sets is mid-1951. "When it comes, it may involve only additions of equipment to existing sets and not the obsolescence of black-and-white receivers."

With Hamilton Management

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — C. Harry Jones, Paul Montag, Arnold F. Tacha and William R. Woods, Jr., have been added to the staff of Hamilton Management Corporation, Boston Building.

Forecasting

By ROGER W. BABSON

Mr. Babson warns charts used in forecasting "may fool people," because they require "upside-down" reading in predicting future change in trends. Holds "rage for pensions may be good thing for stockholders as well as wage earners."

Forty years ago this week I compiled my famous Babsonchart —upon perfecting which I have since spent nearly one million dollars. It has been used by tens of thousands of bankers, manufacturers, merchants and investors to forecast business conditions. When reading this chart, however, it is necessary to realize that it forecasts "danger" when it is registering the highest prosperity, when stocks are going up and when full employment exists. This "upside-down" reading is what fools people.

Roger W. Babson

Don't Be Fooled By Prosperity

Hence, when a crash comes, there is no public warning; it comes as a terrific "bolt out of a clear blue sky" to most businessmen. In my forty years I have seen six of these, one in 1907, 1914, 1921, 1932, 1937 and 1942. When the next one comes it will again appear as a great surprise to 95% of the people, especially young businessmen who have never been seriously caught before.

The future of many businesses depends very largely on keeping in step with the market trends. Today there are many good arguments for continued good business. Among these are the inflationary pressure, and the military expenditures, and the civilian supplies which we are sending abroad. But, when I think of our consumer installment indebtedness, of the homes which are being bought with almost no down payments, and of the attitude of labor leaders I am bearish.

As I look back, however, over the last forty years I find that bankers have usually been too early in their forecasts both of prosperity and of gloom. This means that they have turned bearish a year or two before the bear market really came, and also turned bullish a year of two too early. Hence, I discard both the opinions of optimistic young businessmen, and of older pessimistic bankers, but I am content to watch my Chart.

Employ More Young People

On the other hand, every successful business needs vigorous and optimistic young people as well as conservative oldsters. Statistics on business failures will show that disasters have come when either the executives were all young or all old. This is very important to remember. It means that business firms to be successful should have their executives consist of both young and old—as well as men and women.

Younger people have more energy, are more susceptible to new ideas and do not become set in their ways as we older ones do. This is especially important at the present time as our nation is in a truly New Era which we older ones do not like but which the younger ones—who knew not the "good old days"—are adjusted to and are content with. One more thing for me personally to think over in this connection: When recently going over my record of income these past forty years I find that—even before taxes—it was at its maximum when I was only 50 years old. Apparently, I have been slipping a little ever since! This should be a warning to middle-aged readers!

Importance of Pensions

The above makes me believe that the rage for pensions may be a good thing for stockholders as well as for wageworkers. Unlike many wage increases, which come wholly out of the stockholders or those who purchase the factory's products, this is not so with contributory pensions: Pensions may be an excellent investment for the company because they should keep the organization virile and give the younger and more efficient ones something to look forward to.

In my column next week I will discuss how the Present Outlook appears to me. This will be after a trip to New York consulting some very important people. Read it carefully. It will be short but will represent much work on my part.

To Study Process of Business Decisions

The actual process by which businessmen make major decisions will be the subject of a study financed by a grant of $18,500 from the Merrill Foundation for Advancement of Financial Knowledge to Yale University, it was announced by Winthrop H. Smith, President of the Foundation and Managing Partner of Merrill Lynch, Pierce, Fenner & Beane.

The study of business decision making will be conducted by Dr. Lloyd G. Reynolds, professor of economics and director of graduate studies in economics, and Dr. John P. Miller, processor of economics, at Yale. In announcing the gift, Mr. Smith explained that the study would be conducted by intensive interviewing of key management executives in a selected list of companies.

"One of the main purposes of the study will be to build a factual foundation on which economists can construct a more accurate economic theory," Mr. Smith said. "It is the hope of the Foundation that the work of Professors Reynolds and Miller will provide both professional economists and businessmen with new understanding of how business decisions are actually made in such realms as plant expansion, product and process changes, marketing tactics, finance, pricing and wages."

Professors Reynolds and Miller said that the main significance of the study "will be to increase public understanding of the dynamics of business enterprise. It will also, we hope, help to close the gap which now exists between business practitioners and university scholars. There is no doubt that many academic economists have lived too far from reality, and have based their theorizing on faulty assumptions about business behavior. This situation can be corrected only through a patient and determined effort by economists to understand what goes on in business, and a willingness on the part of businessmen to share their experience with responsible scholars on a confidential basis."

Robert Bowers Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Albert M. Lane, Jr. has been added to the staff of Robert D. Bowers & Co., Cooper Building.

Stirling Partner in Betts, Borland Co.

CHICAGO, Ill.—Louis J. Stirling has been admitted to general partnership in Betts, Borland & Co., 111 South La Salle Street, members of the New York and Midwest Stock Exchanges. During the past ten years, Mr. Stirling has been Resident Manager of the Chicago office of Hirsch & Co. Stephen W. Bachar and Rodney M. Berg, both of whom have been associated with Mr. Stirling for many years, have also joined Betts, Borland & Co.

Louis J. Stirling

Betts, Borland & Co., whose business was founded in 1896 under the firm name of Alfred L. Baker & Co., are members of the New York and Midwest Stock Exchanges and associate members of the New York Curb Exchange.

Mr. Stirling's admission to the firm was previously reported in the "Chronicle" of July 6.

Glore, Forgan to Admit Many Partners

Glore, Forgan & Co., members of the New York Stock Exhange, will admit eight new partners to the firm on Aug. 1. Located in Chicago office, 135 South La Salle Street, will be Hyde Gillette, James P. Jamieson, E. Cummings Parker, Charles S. Vrtis, and Alfred C. West. Charles J. Hodge, Thomas D. Mann, and Paris Scott Russell, Jr., will be in the New York office at 40 Wall Street.

Underwood Appoints Three Vice-Presidents

DALLAS, Tex.—R. A. Underwood & Company, Inc., Mercantile Bank Building, has announced the appointment of three Vice-Presidents: Jack Morris and Tom DuBose in the Municipal Department, and William E. Bilheimer, Jr., in charge of the Corporation Department.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

A moving market, with a good tone and a tendency to be buoyant at times in certain issues, seems to be the current characteristic of the government market. All of this, however, is taking place within the recently established trading range, which has not been very wide. No great divergence from this established area is expected over the near term. Investors have been quite active in acquiring the longer Treasuries, especially the restricted obligations. Nonetheless, the bank issues have not been left aside entirely, despite reports that volume in these securities has not been as heavy as in the non-eligibles.

The tap bonds, reportedly limelighted by the 2¼s and the Vics, were the market leaders in volume and activity. There was scattered buying in the other restricted obligations. The bank bonds were again paced by the 2½s with the 2¼s also being well-taken. Some of the attention was taken away from the longest eligibles by the rather substantial buying that took place in the shorter-terms. The 1⅞s of 1954 and the 1½s of 1955 were the leaders of the near-term group.

Ineligibles in Heavy Demand

Demand for the ineligibles continues to be very substantial, and Federal last week had to dispose of these bonds in a big way in order to keep prices from going up. The war scare has stepped up buying of all Treasuries, because it is felt that interest rates will tend to stabilize, if not ease somewhat. This seems to be a logical conclusion to draw, at least until there is more time to see what will happen in the Far East. For the time being, there is no doubt the initiative for what will take place in the government market belongs to the Central Banks. The control of prices and yields will still remain with Federal although there may have to be modifications of the current policy, if institutions should turn out to be heavy sellers of the tap bonds.

Substantial Liquidation Forecast

Some money market followers hold that institutional owners of Treasuries, especially the ineligibles, may have to liquidate substantial amounts of these securities in the near future. This would be done to take up other investments which they have been committed to, but which have not been paid for yet. The amount involved cannot be accurately estimated, but it is believed in some quarters to be rather sizable. To be sure, with this kind of liquidation Federal would pull away from the market as a seller and let outside interests take over. If the investment demand of other institutions should not be sufficient to absorb the securities that are being disposed of, what would the Central Banks do? Would prices be allowed to go lower because of the temporary selling? On the other hand, if Federal should want the market to be stable, during the crisis, they might have to alter the current policy and take on some of the issues that are being let out.

One thing is sure: the dealers, which have been whipsawed so many times by the action of the authorities, are not going to be lending support to a market which is showing declining tendencies. They will wait and see if a real bottom can be picked before positions will be taken in the issues which might be under pressure.

Short-Terms Attracting Attention

The short end of the market continues to attract attention from a growing number of government security buyers. The desire for more safety during these uncertain times is bringing greater volume into specific near-term issues. The certificates are appealing to quite a few more industrial concerns with surplus funds. The 1954 and 1955 maturities are being well bought by deposit banks, large and small. There has even been a fair amount of non-commercial bank buying of these two maturities. The 1952/54s, which have not been as glamorous as they have been in the not too distant past, have again assumed a more important role in the picture.

The partially-exempts are being well taken as they come into the market with good-sized orders being reported for the 2⅞s. Nonetheless, the 1960/65 is still the fair-haired one, and the midwest deposit banks have been after this issue in a big way recently. It has taken patience and no little perseverance to get the amounts wanted, but reports indicate considerable progress has been made without affecting the price too much. A fairly good-sized switch by a non-bank holder helped the situation to some extent.

Eligible Taxables Moving Higher

The eligible taxables have been under accumulation and this has firmed prices of the longer-term issues. While quotations of these obligations could go higher, they are approaching levels that some money market followers believe will bring in a modest amount of selling and switching which will tend to retard the upward progress of these securities. It is also pointed out that unless the whole level of interest rates is eased, the longer taxable eligibles are quite likely to mark time for a while, probably to see what kind of securities will be offered in the September financing.

Traders and dealers have not done too badly in the eligible 2¼s and 2½s with some of them reporting rather satisfactory trading turns having been made. Switches from the bank 2½s of 1967/72 have been spotty with not too many of them being shifted in the past week, despite the better tone in the longest eligible obligation. The 1959/62s still have more than passing appeal to those that are eligibility-conscious in 1952. Federal has helped in taking care of this demand. The Vics have been moving into trust accounts in a pretty sizable way.

20 Stocks Favored for Immediate Purchase

In the belief that when the present unsettlement is over, relations between groups of stocks will be much changed from what they have been, Bradbury K. Thurlow, partner in Minsch, Monell & Co., New York City, in a release to clients dated July 14, included the following list of stocks which he feels will be beneficiaries of the change.

Investment Stocks	Recent Price	Est. Div.	Yield %
American Can	92	$5.00	5.4
American Chain & Cable	22½	2.00	8.8
American Smelting	51	5.00	9.8
General Motors	79	8.00	10.1
International Nickel	28	2.00	7.1
Montgomery Ward	50	3.00	6.0
Socony-Vacuum	19	1.25	6.6
Standard Oil of N. J.	71	5.00	7.0
Youngstown Sheet & Tube	84	6.00	7.1
Businessman's Risks			
American Hide & Leather	6	.50	8.3
American Steel Foundries	24	2.40	10.0
Anaconda	30	2.00	6.7
Baldwin Locomotive	10	.60	6.0
Braniff	8¼	--	--
Calumet & Hecla	5½	.40	7.3
Interlake Iron	14	1.50	10.8
N. Y. Central 4½s, 2013	61	45.00	7.4
N. Y., N. H. & H. Income 4½s, 2022	43	45.00	10.5
Tri-Continental	8½	.55	6.5
West Indies Sugar	24	2.00	8.3

No Sugar Shortage!

Lamborn & Co., leading sugar brokers, say sugar market is now controlled by fear in minds of housewives. Points out supplies are plentiful and large crops are in the making.

In a letter addressed to associate brokers and customers, Lamborn & Co., leading sugar brokers of New York City, call attention to the fact that there is no shortage in the sugar supply and the current high market demand is due entirely to fear in the minds of the nation's housewives. "In a word," says the Lamborn letter, "the housewives of the nation are trying to buy, in a few days, a supply of sugar sufficient to last them for one, two, six or twelve months.

"Despite the huge sugar refining capacity of this country; despite the large stocks of beet sugar on hand in the West; despite the great amount of raw sugar in Cuba, it is not physically possible to meet the inordinate demands of the public quickly.

"The present tight supply situation on cane refined sugar is due entirely to the inability of sugar refiners to melt, refine, package and ship sugar at a rate high enough to satisfy the hysterical demand for sugars which they have experienced in recent days. That rush has depleted refiners' flood stocks of granulated sugar and they are now selling directly out of production.. And their production is being maintained at peak capacity!

"The same situation prevails in the beet sugar industry where processors are shipping sugar from their stocks as fast as they can secure empty rail cars and and motor trucks. The simple and obvious fact is that the sugar industry cannot supply the demand for many months of sugar requirements in the space of a few days or a few weeks. As long as the housewife continues her *mad hoarding spree* we may expect a continuance of the intolerable conditions affecting cane refiners, beet processors, brokers, industrial users and distributors of sugar.

"But it should be remembered," the letter continues, "that no actual shortage exists!

"The U. S. Department of Agriculture has increased the quota 350,000 short tons. This means that for this year there has been made available by the government, from the sugar areas supplying us, 7,850,000 tons of sugar. This makes available for distribution in the U. S. this year 270,000 tons *more* than were distributed last year.

"Furthermore, Cuba still has in reserve in Cuba, earmarked for the U. S. market, 490,000 tons. In addition, Cuba has in reserve, in her so-called 'Special Reserve' quota, upwards of 500,000 tons. A part or all of this sugar can be made available for the U. S. market. In addition, there are surplus sugars in Puerto Rico and Hawaii. These surplus sugars total (over and above their current quotas), approximately one quarter of a million tons.

"Then again, it must be remembered that in October, Louisiana and Florida will start grinding their new cane crops. Based on the latest indication of the Crop Reporting Board, these crops should total approximately 575,000 tons of sugar. Also, California is in the midst of her new beet crop. This State alone will produce over 500,000 tons. This will be followed in October by the harvesting of the new beet crop in the Rocky Mountain area and in the Eastern beet sugar area. Based on the latest indication of the Crop Reporting Board, the total U. S. domestic beet area will produce (given continued good weather) in the neighborhood of 1,900,000 tons, raw value.

"Furthermore, insofar as 1951 is concerned, it is expected that Cuba, Puerto Rico and Hawaii will have large crops. Cuba this year produced 6,126,000 tons. She will probably produce in 1951 approximately as much as she produced this year."

Denton Co. Adds Cohan and Lavitt

HARTFORD, Conn.—Robert C. Cohan and Edwin Mitchell Lavitt have become associated with Denton & Co., Inc., 805 Main Street. Mr. Cohan was with the Marine Air Corps for 3½ years and graduated from Trinity College, Hartford, Conn., June 18, 1950 where he majored in economics.

Mr. Lavitt, who has been outside the investment field, was associated with this father in the commodity market.

J. Edwards Baker

J. Edwards Baker died July 14 at the age of 63. Prior to his retirement in 1945 he had been Vice-President of Blair & Co., Inc. He had previously conducted his own investment firm and had been a member of Blodget and Company and Stone, Webster and Blodget.

Changes in Sterling Balances

"Monthly Review" of Bank of Nova Scotia shows only slight reduction in total outstanding, but some significant shifts in balances held by individual countries.

The June issue of the "Monthly Review," published by the Bank of Nova Scotia, Canada, contains a study of the British sterling balances since the end of the war, along with the changes that have taken place both in the aggregate and the amounts due individual countries to and including 1949. According to the study:

"The total amount of the sterling balances, because of the momentum of war expenditures, rose in the first year after the war from about £3,350 million to a peak of not far from £3,800 million. In the next three years, up to the middle of 1949, they declined considerably—by some £550 million—though in the second half of 1949 there was an increase amounting to about £110 million. At the end of 1949 the balances added up to just about the same sterling total—£3,350 million—as at the end of the war. Their distribution, however, had changed strikingly (see Table). Despite the further growth of their balances during the first postwar year, India, Egypt, Israel and Argentina by the end of 1949 had reduced their holdings sharply below war-end levels. In Europe, Norway, Holland, Belgium and Greece had also drawn down their accounts. Italy and Sweden, on the other hand, had accumulated sterling, Australia had much increased her balances, and there were notable increases in the amounts held by the British African colonies, Malaya, and Eire.

"The most interesting feature of the movement in the sterling balances in the postwar period," according to the Bank, "is the reduction of some £550 million in their total between mid-1946 and mid-1949. This reduction reflects the use of sterling balances both for current purchases and for the purchase of British assets in the countries concerned. The largest settlement involving the sale of investments was the Andes Agreement of 1948, which allocated £150 million (or almost the entire amount) of Argentina's balances at that time for the repatriation of British investments in Argentine railways. Similar arrangements on a smaller scale transferred ownership of Brazilian and Uruguayan railways to those countries.

"Another related kind of settlement was the net payment of £45 million in 1948 out of the joint sterling balances of India and Pakistan for defense stores and fixed assets formerly owned by Britain. It should also be noted that £176 million of the joint balances of India and Pakistan were set aside as a fund with which the British Government assumed the liability for the pension rights of employees in the Indian civil service and army at the time of independence. Since this amount remains a sterling liability, it is still included in the total of outstanding sterling balances. Clearly, however, it is no longer part of the great pool of funds which is either available currently or for which there is constant pressure for release. Finally, as a voluntary contribution, Australia and New Zealand have on two occasions written off sterling balances, to a total amount of £46 million. As a result of these various settlements and gifts, the sterling balances were reduced by more than £250 million in the three-year period, accounting for not far from half of the total reduction.

"In addition to such capital settlements, there were of course substantial drawings on the sterling balances to pay for sterling goods or to obtain dollars for the purchase of U. S. goods. For India, in particular, the pressures to make use of the balances were very great, and for Britain they were difficult to resist. With an underdeveloped economy, a poor and a rapidly growing population, and the disruptions of war followed by the transition to independent nationhood, India's needs were admittedly vast. Despite restrictions on imports designed to concentrate her purchases on necessities, India's trade deficit on current account persisted and was particularly large in 1948-9 because of poor crops and the growing availability in Britain of urgently required capital goods. Thus, in the three years up to mid-1949, the sterling balances of India and Pakistan were drawn down by nearly £350 millions over and above the £45 millions used for the purchase of defense stores and fixed assets. Egypt also negotiated substantial releases of her war-accumulated balances, and there were marked reductions in those held by Israel, Iraq, and a number of European countries.

"Meanwhile, however, a number of other countries, particularly in the sterling area, added substantially to their sterling accounts between mid-1946 and mid-1949. As will be seen from the table, Australia, the African Colonies, and Malaya much increased their holdings. One reason was that the prices of primary products were quite favorable and a number of the colonies and also Australia had surpluses in their trading accounts. A significant element in this situation was the increasing European demand for sterling area goods, bolstered by British credits through the Intra-European Payments Plan and the substantial sterling holdings of a number of European countries. Another major factor adding to the supply of sterling was the large outflow of capital from Britain to other parts of the sterling area. Part of the outflow was taken by British emigrants, a large part was for regular investment, and some of it was speculative or 'hot' money. In 1947, when the capital flow was particularly large, South Africa was the most important recipient and her sterling balances rose appreciably. The import boom which developed in that country, however, wiped out this accumulation and, despite the imposition of import curbs, led South Africa to obtain repayment in sterling last year of the £80 million gold loan she had made to Britain only in 1948. In contrast, the flow of British capital to Australia and some of the colonies in the postwar years has been accompanied by a sustained growth in their holdings of sterling.

"During the last six months of 1949, the downward trend of the sterling balances was reversed and an increase of about £110 millions occurred. Some £60 millions of this was accounted for by the write-up of balances held by Portugal, Iran, Brazil, and certain other non-sterling countries, which had obtained guarantees against devaluation of the pound. There was also a further improvement in the trade surpluses of many primary producing areas, resulting from the much higher sterling prices of such commodities as wool, rubber, cocoa, and wheat; and the outflow of capital to the sterling area increased. A recent estimate of Australia's balances at £515 millions strongly suggests that these tendencies have continued to operate this year."

Estimated Distribution of Sterling Liabilities*
(£ millions)

Sterling Area†	June 30/45	Dec. 31/49	Non-Sterling Area	June 30/45	Dec. 31/49
India	1,108	720	Egypt	‡396	322
Pakistan		140	Israel	§115	30
Australia	117	375	Iran	22	32
New Zealand	63	60	Portugal	78	87
South Africa	33	55	Italy	—	75
Ceylon	61	45	Sweden	—	42
Eire	178	225	France	40	40
Iraq	70	82	Holland	68	25
West Africa	91	150	Norway	90	15
East Africa	81	110	Belgium	37	12
Malaya	84	110	Greece	55	—
Others	243	250	Other Europe	41	85
Errors & Omissions	+78	—25	Argentina	85	10
			Brazil	36	37
Total	2,207	2,297	Other Lat. Am.	19	41
			Others	42	80
			Errors & Omissions	+24	+114
			Total	1,148	1,047
			Grand Total	3,355	3,344

Note: (*) Sterling liabilities comprise net liabilities of banks in the United Kingdom to their overseas offices and other account holders, including funds held as cover for overseas currencies, and certain liabilities of H.M. Government expressed in sterling or sterling area currencies. Private holdings of securities and sterling balances of the I.M.F. and World Bank are excluded. (†) Sterling area as presently composed. (‡) Includes balances of Anglo-Egyptian Sudan. (§) Includes balances of Transjordan.

Sources: Official U.K. sources for totals. No official figures for breakdown available, estimates given above are for 1945 from a special U.S. Congressional committee report of Feb. 46 (available in the Foreign Commerce Weekly, U.S. Department of Commerce, Feb. 13/50) and for 1949 from "The Banker," London, May 50.

MacCoy Officer of NY Stock Exchange

Emil Schram, President of the New York Stock Exchange, has announced the appointment, with the approval of the Board of Governors, of C. MacCoy as Assistant Vice-President. Mr. MacCoy's duties will include direction of the Exchange's public relations.

C. MacCoy

Mr. MacCoy has been associated with the Exchange since 1928, when he joined its public relations staff. He was appointed Assistant Director of the department in 1938, following the reorganization of the Exchange. In the Seventh War Loan and Victory Loan drives, he served also as director of publicity for the Banking and Investment Division of the U. S. Treasury Department's War Finance Committee.

Now Brew Emch Jenkins Co.

MILWAUKEE, Wis.—The firm name of Charles W. Brew & Company, 735 North Water Street, has been changed to Brew Emch Jenkins Co.

Canadian Securities

By WILLIAM J. McKAY

Overshadowed by events in the Far East little publicity has been given to developments in connection with the United Kingdom-Canada trade conference that has been taking place in London during the past weeks. Despite preliminary gloom and forebodings concerning its successful outcome it would now appear that Canadian fears of almost complete failure have now been dispelled. In face of the recent spectacular increase in Britain's exchange reserves it would have been difficult indeed for Chancellor Cripps and Board of Trade President Wilson to have maintained their previous attitude of uncompromising adherence to the principles of austerity and inflexible controls.

As it is Canada has been able to obtain certain concessions and the principal benefits secured by the Dominion are:

(1) The rescindment of the 25% cut in Canadian imports that was ordered by the British Government in 1949.

(2) Easing of the British Treasury restrictions on dollar expenditures of the British West Indies that will permit Canada to regain a portion at least of traditional markets in that area.

(3) A tentative agreement for British purchases of Newfoundland iron-ore and fish.

Apart from the by no means inconsiderable material advantages secured, this new agreement should pave the way for a greater degree of harmony in U. K.-Canadian commercial relations. Since the war, largely due to Britain's chronic hard-currency deficiencies and Canadian problems arising from the inconvertibility of sterling, it has been difficult to reconcile conflicting viewpoints. Until recently the situation had been further aggravated by the apparent indifference on the part of the British authorities to Canadian problems and the value of Canadian markets.

Following the September currency devaluations however there was a marked change in the previous aloof British attitude towards the possibilities of expansion of exports to the Dominion. Official trade boards were appointed with the object of studying ways and means whereby trade with the senior Dominion could be materially increased. These efforts met with almost immediate success on a scale that surpassed expectations on both sides of the Atlantic. British automobile sales to the Dominion for example rapidly reached a level where they exceeded the sales of domestically produced cars in certain provinces. Previously it had been considered that the small British automobile would have been unable to cope with driving conditions in Canada. Also at the last Toronto Trade Fair the numerous British exhibits, and notably the machinery items, created a remarkably favorable impression.

Thus the preliminary results of the British trade drive amply demonstrate the existence of a broad and growing demand for British goods in the rapidly expanding Dominion markets. Already the stepped-up volume of exports from the United Kingdom has been largely responsible for the achievement of a near balance in U. K.-Canadian trade. It has to be noted however that British curbs on Canadian imports have accounted for part of the improvement. The concessions obtained in the recent London trade parley will help to place U. K.-Canadian commercial dealings on a more normal basis in addition to creating a more favorable climate for further progress in this direction.

Now that Britain has re-discovered Canada it is all the more necessary that British officialdom should liberalize to a still greater degree its Canadian economic policy. Despite strong Dominion representations little progress was made in London towards a satisfactory arrangement for U. K. purchases of Canadian wheat following the recent termination of the U. K.-Canadian Wheat Agreement. It is difficult for Canada to forget that as a result of this agreement Britain obtained for many years a large proportion of her wheat requirements from the Dominion at prices well below prevailing world prices. This arrangement provided moreover that whenever a new agreement was discussed, due consideration would be given to this point. As matters have transpired Britain has disclaimed any obligation in this connection.

In view of Britain's vastly improved economic situation the unrelenting policy of stern austerity and arbitrary restrictions has lost much of its validity based on sheer necessity. Extreme economic regimentation can no longer be justified in face of the changed circumstances. On the other hand if British enterprise were allowed freely to exercise its acknowledged ability, British markets would be expanded not only in Canada but throughout the world.

During the week there were indications of a rallying tendency in the external section of the bond market following the recent sharp decline; at present levels Canadian Nationals are beginning to attract renewed investor demand. There was little activity in the internals but the longest Dominion 3's were steady at 91⅝-91¾. Free funds continued strong at a fraction above the official rate and the corporate-arbitrage rate improved further to 13%-12%. Stocks, following the recent series of sharp sinking spells, staged a moderate rally. The golds which had suffered the severest decline came back strongly and the base-metals and oils were also in notable demand; in view of present circumstances there is little doubt concerning the fundamental value of the stock of established companies in this latter group.

The Prefabricated House Industry

William H. Kapple, of University of Illinois, says 30 good-sized firms which have weathered the storm are marketing their production in sufficient volume to more than "break-even." Finds chief problem development of houses designed and priced for mass distribution.

Writing in "Current Economic Comment," quarterly journal of the University of Illinois Bureau of Economic and Business Research, Prof. William H. Kapple of the Architecture Department points to the fact that the prefabricated home industry now has 30 good-sized firms which, despite handicaps, have "weathered the storm" for two or more years, and are progressing toward the development of houses designed and priced for the mass market. Describing the outlook for this new industry, Mr. Kapple states:

"There is good reason to believe that prefabrication is here to stay. However, it is not likely that we shall recognize this newest family of our modern industry when it finally blossoms out in twentieth century dress 10 to 15 years from now. Dozens of its offspring have died prematurely, and last month Lustron, with the biggest capital investment of all, succumbed.

"The career of this industry has been stormy and it is still in the formative stage, but a nucleus of stability is beginning to take shape. The Federal Housing Administration published a list of 140 firms presumed to be active in the manufacture of prefabricated housing as of Jan. 1, 1949. By September, 1949, over a third of them had gone out of business, and of the 81 known to remain only 30 employed 50 or more persons. Those companies now remaining in business include, primarily, the old-line prefabrication firms a number of which got their start before or during the war, and only a small group are newcomers.

"A year ago this industry's bright promise of cheap mass-produced houses seemed to be dimming fast. Output, which had slumped to 30,000 units in 1948, was sinking even lower in the early months of 1949. But in mid-summer the trend reversed itself. By the end of 1949 the 35 firms active in the industry had shipped some 35,000 units, only 2,000 fewer than the record number turned out in 1947.

"The foreclosure of Lustron, which made pastel-colored steel houses, does not disprove the possibility of building better housing at prices within the range of the mass market through greater use of factory production of units which enter into the assembly and erection of homes. Instead, it proves that greater industrialization of this industry must go hand in hand with the development of new financing and marketing methods.

"Prefabrication, which has been called a term that means many things to many different people, is gradually becoming more sharply defined. Actually it is merely an extension of twentieth century industrial methods to larger and larger segments of the house. Such development will best be accomplished by a program which utilizes the know-how of existing distribution, construction, sales, and financial institutions. When such a mutually beneficial program is developed, this new industry can become strong enough to take over the production job now handled by eighteenth century craft methods.

"Ten months ago, President Carl Stranlund reported that the break-even point for Lustron was 35 houses a day (this was the production of one eight-hour shift, but the most economic use of the plant would be a three-shift operation since the enameling furnaces must be kept at heat round-the-clock). To reach this break-even point would have required that Lustron capture 1% of the current annual house building market, or an amount equal to one-fourth of the prefabricated houses sold in 1949. Lustron reached only 28 houses per day. Explanation of the failure to exceed that rate is not simple but it can be simply summarized, as problems of financing, distribution, and price.

"Financing of the plant and production facilities is the first phase of the financing problem of this new industry. Lustron borrowed $37,000,000 from the RFC to supplement $840,000 of equity capital raised through the sale of stocks. Other companies, such as Best Homes, Inc., of Peoria, have built their factories out of earnings and increased their production capacity as they grew. Mr. G. W. Best reports that their present production capacity is 2,100 houses per year if only one shift is operated, or 3,000 houses if a second shift is used during peak production. Reliance Homes, Inc., of Lester, Pennsylvania, has developed its organization first and used RFC capital to help in the second financing problem—namely, financing of the construction of the houses. As Mr. Harry Nagin of that firm states, 'We can make our houses in a hurry, we can erect them in a hurry, but we can't finance them in a hurry.' The great virtue of the factory-built house—speed of erection—creates a new problem when it comes to mortgage financing.

"Even if the manufacturer is able to wait for his money until the home is sold, the dealer-erector must put up his own money for the land and its improvements, as well as for foundations, floor slabs, and erection labor at the site. Most dealers do not have that kind of money. To assist its dealers over this hurdle, Reliance has established a revolutionary change by creating a site development fund with some of its RFC loan. In order to keep the bookkeeping straight, the dealer sets up a separate subsidiary company to prepare the sites and erect the houses. Reliance headquarters at the factory advances the subsidiary sufficient money from the fund to complete the site work. When the dealer gets his money at the closing of the mortgage, he pays his subsidiary for the site work and Reliance for the house. The payment then returns to the Reliance revolving fund to finance more site-erection costs.

"Improved marketing methods, the second of this industry's major problems, can only be developed as the manufacturers develop houses designed and priced for the mass market. Production of such a house is essential before distribution methods can be developed which are capable of arbsorbing more than 'break-even' production. In the case of Lustron, this minimum unreached goal was 9,000 houses per year, but the $10,000 to $11,700 price of that house apparently was not low enough to attract the 'stand in line' customer demand that builds distribution organizations quickly.

"In 1948 the Federal Housing Administration started to campaign for the construction of a larger proportion of low-cost houses. The ultimate goal was the production of a good $6,000 house. As a result of this campaign, many prefabricated house firms designed new lower-cost houses. Most manufacturers of prefabricated houses agree that the industry's shift to cheaper houses gave it a new lease on life. Harnischfeger Corp., of Port Washington, Wisconsin, for example, reports that the upturn in its business last spring coincided with the introduction of an 'economy house,' which sells for $5,500 to $8,500 without land (the price of the lot can, of course, vary widely but prefabs are usually built on lots costing less than $1,000). Previously, this company had been making Cape Cod type dwellings in the $10,000 to $15,000 price range.

"The proof of the possibilities of this new industry can be seen in the growth of National Homes Corp., of Lafayette, Indiana. In 1940 James Price founded this company with $1,700 of his own money and $10,000 of borrowed capital. A year and a half ago this firm started producing a low priced 'Thrift Home,' and since then the increased production 'and profit' has astounded everyone. Two sets of figures tell the story; in the fiscal year ending June 30, 1949, National sold 2,163 houses and made a profit of $405,000. In the last half of 1949 the company sold 3,090 houses for a net of $838,000.

"National's 'Thift Home' sells for $5,850 (in Lafayette) to $6,500, with lot and loan services but without range and refrigerator. However, Mr. Price says the price of the 'Thrift Home' is not $5,850 but $300 down and $37 a month for 25 years. He reports that the company has received 65,000 written inquiries from interested customers since the package price of the 'Thrift Home' was announced.

"The 1948 Joint Committee on the Economic Report showed that the incomes of American families are sufficiently high that over 85% of families in this country can afford a monthly payment of the amount stated. The preview of the 1950 census taken last year in Chicago showed that over 90% of the families of that metropolitan district can afford such payments. New houses priced at $37 to $40 a month open up a whole new market. Once such a package price is made known, there are millions of families who will be interested if the quality of the house is good enough.

"This industry now has 30 good-sized firms which have weathered the storm for two or more years. They have learned the possibilities inherent in the low-income family market and they are developing their own capital for expansion. During the postwar period, mortality offset new members, but some day, not too far away, all these complicated new organizations and operations may be coordinated to take full advantage of twentieth century scientific know-how. When that happens we will see this new industry grow and take its place alongside the highly skilled manufacturers now in the building industry."

W. H. Shroder Joins Goodbody Co. Staff

Goodbody & Co., 115 Broadway, New York City, members of the New York Stock Exchange, announce that William H. Shroder has become associated with the firm as a registered representative in its investment department. Mr. Shroder formerly was Vice-President of Burr & Co., Inc., having been with that firm for 15 years.

T. G. Wylie Co.

Thomas G. Wylie has formed Thomas G. Wylie Co. with offices at 535 Fifth Avenue, New York City, to engage in the securities business.

Herman Joy

Herman H. Joy, stock broker of Sanford, Maine, was found slain in an office in his home. Robbery appeared to be the motive, according to the police.

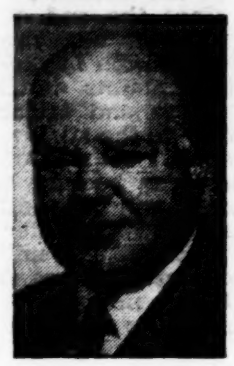
Perhaps!

"Today, the mobilization of non-Communist nations free from Russian domination is slowly unfolding. . . . We shall soon know how much the world is prepared to meet this issue of united action. . . .

"The non-Communist world is now faced with three possible courses if it would have peace:

"Shall it go to war to wipe communism from the face of the earth? I have stated that my answer is no.

"Should we return to the illusion that the Kremlin has changed its gospel and will work for peace through the United Nations? That would seem futile.



Herbert Hoover

"Shall we try to build the United Nations so as to confine communism to the peoples already enslaved, stop military aggression and trust to time for this evil to abate? My answer is YES. That is the only practical course today.

"Alternatively we must crawl into isolation and defend the Western Hemisphere alone. That would be less than a secure peace."—Herbert Hoover.

Mr. Hoover seems to regard the United Nations as a grand alliance opposing the Kremlin and its cohorts. His is evidently two worlds, not one.

Well, if we must assume the responsibility of saving the world we shall need all the allies we can get!

But we must confess that we are often assailed by doubts about much of all this.

Securities Salesman's Corner

By JOHN DUTTON

When the first reaction to an event such as the Korean fighting hits home there is bound to be unsettlement and indecision everywhere. During the past two weeks investors have been bewildered and concerned about their individual affairs. The action of the securities markets clearly indicates all this.

If you will look back upon past periods of this nature, however, you will see that after the panic has quieted down that a new appraisal is made; and when this happens it can be seen that as always, there is a bright side as well as the black. One of the most necessary things that must be done during such a time as this is to keep a sense of balance.

This is especially so if you are doing sales work in the field. If you can calmly point out what has happened in the past you can more readily keep the confidence of your clients. Frequently your clients will respond to a reasoned and reassuring attitude upon your part, and one of the reasons that they may express doubts and misgivings to you is that they are hoping you will tell them something that will be helpful, either to their morale, or in the way of specific advice on their investments.

For the man who says, "I'll sit tight," show him that he may think he is doing so but his stocks are not sitting tight. Every day, every minute, changes are going on that will impair or increase the value of his investments. A total war economy might bring about more stringent controls than in World War II. Some securities which have been selling at a level that has exceeded the general average of the market could be expected to decline sharply, in the event their earning power were curtailed by excess profits taxes and a conversion to war work. Others that have been well deflated (and there are many of them as you well know) would fare much better. Surely sitting tight is not the answer. A complete reappraisal of an investment portfolio in the light of existing conditions, and proper diversification is the only sensible course. Guessing, hoping, and thinking you are "sitting tight" when you are not, is the way to dissipate assets; not preserve them, or increase them.

Then there is the man who says, "I've sold out, I'll hold cash." He, too, is taking a blind and unreasoning course dictated by his confused emotions. The only answer to his problem is a proper relationship between his cash and his other assets. There was a time in this country when a man who was undecided could invest all his assets in cash, government bonds, and savings accounts. But today there is danger in such a one-sided course. Faced with our mountain of debt, and the possibility of another long war, the severe shrinkage in the value of dollars is now more than a ghost that we do not wish to see under the bed—it could happen here. Although it is best not to alarm, it is also necessary at times to build a fire under some people in order to get them to act (even when their own welfare is involved). In discussing this with a client it is very effective to use a simple illustration. The cost of his market basket today as compared with 15 years ago, his new car, which cannot be bought today for less than $2,500 as compared with about $1,400 in 1936. Or better still, the $20 shoes you are wearing now that you bought for only $8 a few years back. Once a man begins to realize that the stability he thinks he has found in his cash is only an illusion, then you can go right ahead and show him that the maximum protection for his assets can best be obtained by a proper investment program.

Continued from first page

As We See It

of what until quite recent years were the first-class powers of the world are quite war weary, and, equally important, so geographically situated as to be much more exposed to Russian vengeance than are we. They are accordingly not altogether disposed to plunge recklessly into situations in which they might invite attack by the forces of the Kremlin. All this without taking into account the fact that in many of these countries there exist substantial Communist elements which enjoy full respectability within their own lands and which, as always, take orders from the Kremlin.

Defending the Free World

Now, we have taken it upon ourselves to defend what we term the "free world" or the "free peoples" of the world. We shall not here take time or space to inquire into what this "free world" or these "free peoples" really are, although it is a fact that they often have little understanding of and not much interest in freedom as we have cherished it through the decades—at least until the advent of the New Deal. But be all that as it may, the peoples taken under our sheltering wing are scattered throughout the world. Many of them are so situated and so defenseless—yes, and so uncertain in their own minds whether they prefer Moscow to "the West"—that successful defense of them against invasion either by Russia or Russian puppets is as difficult as in the case of Korea.

Obviously, therefore, we must decide—decide in advance and not wait until the eleventh hour as in the case of Korea—where and in what degree we shall undertake to defend. To do otherwise would be to succumb to the Russian strategy. We cannot, or at least we cannot without very great and needless sacrifice, rearm a reluctant and doubtful Western Europe at the same time that we undertake to arm, train and enthuse all the half-hearted peoples which fringe the Soviet Union on the east and the south. Merely to convince these eastern people that we, unlike all the westerners with whom they have had to deal for the past several centuries, have no interest other than their welfare would be a task of stupendous proportions.

It is essentially this type of problem which we have for a long while faced, or should have faced, in China, in Formosa and in Korea. We have blown hot and cold, let our military might melt away, and then finally, in haste, come to the decision to fight in Korea and if necessary upon the waters between Formosa and the mainland. We are finding that in Korea the job is a much bigger one than the authorities in Washington suspected—or if they suspected what the size of the task was they were criminally neglectful in preparing for it. Just what will be done or can be done to extricate ourselves from the present impasse we are not prepared to say, but we are perfectly certain that we should be more than unwise not to take every precaution not to get caught in any such way again.

Facts to Face

Here are some of the facts which we must face. First of all, virtually the whole non-Communist world is all but unarmed. That includes the United States of America. There is not a great deal of disposition in those countries which heretofore have been bulwarks of strength against Russian ambitions to exert themselves unduly to build up large armies. We are extending some arms aid to such countries, but it is almost trifling by comparison with what it takes to be really well-armed in the modern sense of the term. Germany, which in ordinary times would be the real barrier against a truculent Russia, is half under complete Russian domination. The remainder of that country is without arms or means of defending either itself or its neighbors.

There is no real armament production on a modern scale anywhere in the non-Communist world, including the United States, and it takes time to get into large scale production of such things. We have been talking big about the "necessity" of having bases in the shadow of the Asiatic mainland in order to defend our own coasts, but we are having a hard time convincing the Asiatics of our need of their territory for such purposes.

Obviously, it is essential that we begin larger armament production. It is not obvious, at least not to us, that since we are now fully employed each gun produced must reduce by that much the butter available to us. We are a wasteful people. We have never been so wasteful as in recent years since government has undertaken to run the economy of the nation. Thousands, possibly millions, of man-hours go each year into the production of such things as potatoes and eggs which no one wants, and more man-hours have to be devoted to their destruction or disposal. Many hundreds of millions of dollars are poured out each year to keep farmers producing things no one wants, or else supporting them while they refrain from producing anything. All sorts of paternalistic schemes keep millions at work in administrative offices of government. There never were fighting forces so wasteful in so many ways as ours have been for a decade past and are now.

If only we could make up our minds to give up the managed economy idea and the waste inherent in it, we could find a way to arm ourselves adequately and some of our allies, too, without undue sacrifice of essentials.

And if our allies could be persuaded to do likewise, they would need far less help from us.

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Stock Listing on the New York Stock Exchange

termine whether we are going to list the securities covered thereby. The applications are made available to member firms and to the public for distribution on request. It is necessary to file along with the listing application certain supporting documents for the purpose of verification, such as charter, by-laws, resolutions of the board of directors and stockholders, certificates from the registrars, a certified financial statement by independent public accountants, any public authority certification that might be necessary, a statement of business and financial accounting policies of the corporation, the opinions of counsel covering the organization of the company, authorization for the securities, the validity of the securities, personal liability of stockholders and whether or not the stock is to be fully paid and nonassessable. We also ask for certain information in a form of questionnaire and request the company to execute certain agreements.

I think the agreements which companies make with the Exchange may have special interest. We ask the companies to agree to publish quarterly statements of earnings. Approximately 83% of our listed companies now publish quarterly statements of earnings; about 96% at least publish semi-annual statements, and only 4% publish annual statements. They publish other types of information, as far as practical, to give some indication of the earnings, but it is very difficult in some cases to obtain quarterly statements of earnings.

To take the worst illustration, there are the sugar companies that are engaged in the production of sugar. Production of sugar is dependent upon a crop year. It would be practically impossible for those companies to publish quarterly statements of earnings because they don't have any earnings for three-quarters of the year. As far as sales are concerned, it was necessary for the SEC to waive that requirement in the case of sugar companies where it was found that during certain periods sales represented that of the companies' stores to employees. It didn't represent the actual production of sugar. There are some very difficult situations. We try to get quarterly statements of earnings in all cases, but there must be exceptions.

We look for the certificate of the independent accountants in printed annual reports to stockholders. Those are printed reports which must be out at least 15 days in advance of the annual stockholders' meeting, and not later than three months after the close of the year in order to give the stockholders time to study the operations before the meeting in case they want to raise questions at that time.

We ask companies to use their best efforts to obtain stock for lending purposes where necessary. The purpose of that is to maintain this continuing auction market that we have on the floor. Our approaches are made from the standpoint of the requirements of specialists and odd-lot dealers performing a function as far as the market is concerned.

We expect the specialist to go short when necessary, and it is necessary as well for the odd-lot dealer to go short. You will hear about that from others. Because we expect those functions from the specialist and odd-lot dealer, if they find it necessary to borrow stock at any time, we try to help by going to the company.

In the first instance, we ask for a list of member firms that are stockholders of record, and then try to borrow the stock from the members. If that isn't successful, we go after the officers of the company or other larger holders to try and obtain stock for lending purposes in order to help the specialist and the odd-lot dealer perform their functions.

It is necessary for companies to agree to have a transfer agent and registrar and not make any changes in the registrar without authority from the Exchange. The reason for that is this: All registrars having listed securities are under agreement with the Exchange not to register additional amounts of those securities without authority from the Exchange. That means that if a board of directors decided to issue 10,000 shares of stock as an option to the President, and went ahead and tried to issue that stock, they would find the registrar would not sign the certificate and so the certificate would not be legally and validly issued.

Accordingly, it is necessary for the company to come to us and ask us about listing. We would determine whether we felt that such a transaction should have the approval of the stockholders. After that was approved by the stockholders, we would go through the usual routine of authorizing and certifying our approval, but that would take time. A company cannot determine today to issue stock tomorrow because it is necessary to go through all these various procedures in order to give a prompt disclosure to the public and see that everything is as it should be and open and above board.

It takes about six weeks for the purpose of listing and registering an additional amount of securities. That time element can be reduced, but it takes special effort and means treating things out of routine.

Requirements As to Form of Stock and Bond Certificates

We have various requirements as far as the form of stock certificates and bonds are concerned. Stock certificates must be engraved from two steel plates. Every border of every stock certificate listed on the Exchange is different. They are geometric designs. They also have a vignette which is hand engraved. The purpose of this is to avoid their duplication.

As you may know, there has been a certain amount of counterfeiting of currency which developed about a year and a half ago—$10 bills coming out of Chicago. That is the first attempt to counterfeit currency and stock certificates since 1938. I am happy to report that we have not found an attempt to counterfeit stock certificates up to now.

There are high standards in the printing of these certificates, and we have experts who examine every new stock certificate prepared by the bank note companies to see that it comes up to standards and has the appropriate details that would be difficult to duplicate. If suddenly a lot of counterfeit certificates came into being, it would be difficult for us to operate, because when anyone buys stock, it is necessary that he has the assurance that he is going to get a good certificate.

Requirements for Mortgages and Trust Indentures

We have certain requirements for mortgages, indentures, and trustees. The bond itself must contain the important provisions of the mortgage or indenture. There is, of course, the Trustee Indenture Act, but there are certain factors that the Exchange looks for over and above what the law might require.

When there are obligations which are discharged more than a reasonable length of time in advance of the maturity or the redemption date, we ask that the funds be made immediately available upon discharge. Let me explain that a little.

If you examine some mortgages closely, you will find that if the company should deposit the funds with the trustee as much as six months or even a year in advance of the maturity or redemption date, the trustee may discharge that obligation. Accordingly, let's assume that the trustee goes ahead and discharges the mortgage, but if the trustee should fail during that period, the company is no longer obligated, and the bondholder would only have the trustee to look to, and he may, therefore, have to wait for his money. We ask that when the obligation is discharged, the funds be made immediately available to the bondholder. If, on the other hand, the obligation is not discharged and the company is still liable, no question is raised.

We look for a separate trustee for each issue in order to avoid any conflict of interest. In other words, if a trustee was trustee for the first mortgage bond and also the second there might be a conflict of interest. The first should have one trustee and the second should have another.

We object to interlocking officers or controls of trustees by the corporation. If there is an official of the company who is an executive officer of the trustee, we refuse to accept the issue until that is take care of.

We have the question of facsimile signatures on a bond as well. That is a very difficult question from the standpoint of the issuer, particularly if you have a very large bond issue. If you can think of signing your name about 10.000 times, try it, and you will find that you will be pretty tired after the first three weeks. We have tried to develop some means of meeting that situation. At the present time we will permit one facsimile signature on a bond issue. Of course, there must be

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manual signatures; one, the attesting signature and the other the signature of the authenticating agent or trustee.

The facsimile signature can be duplicated exactly, but, on the other hand, in the case of a manual signature, it is felt that handwriting experts can distinguish whether it is forged or real.

Listing Fees

The Exchange charges listing fees for the purpose, of course, to help pay the expenses of the Stock Exchange. It has made a profit this year, but for the previous three years it has lost money. These listing fees run in the neighborhood — well, they have ranged from $250,000 to as high as $5,000,000. In recent years they have been running about $1,300,000 per annum. That will give us about 25% roughly of the income of the Exchange, not only for listing, but maintaining a market on the floor of the Exchange.

We have certain requirements as far as the voting rights of the common stocks are concerned, as well as the preferred. The Exchange has refused to list nonvoting common stock since 1926. I am happy to say that all of the companies that had nonvoting common stock in 1926, of which there were about 15, have now changed, and all of the common stocks presently listed on the Exchange now have the right to vote.

With respect to preferred stock, we do not ask for voting rights except on default of the equivalent of six quarterly dividends. At that time we would ask that they have the minimum right to elect two directors, voting as a class, in order that the preferred stockholders will have representation on the board. We also ask that a $\frac{2}{3}$ vote of the preferred stockholders be required in order to change substantially any of the rights or privileges of the stock.

With respect to voting trust certificates, we look into each situation as it develops. The policy might be expressed in this way: We have a number of voting trust certificates listed on the Exchange at the present time, principally railroads, which came out of reorganization and those forms of voting trusts were approved by the court and were a part of that reorganization.

On the other hand, if we feel that a voting trust was being set up to perpetuate management, then we would refuse to list that voting trust certificate. We try to differentiate between the two. Many a voting trust is set up in a plan of reorganization just to assure the continuation of management in order to give certain classes of security holders a better break than they otherwise might get.

We have certain regulations with respect to the stock dividend. We have studied that over a long period of time and we feel that the stock dividends declared in 1929 contributed to a degree—we wouldn't know to what extent—to the tremendous rise and fall which occurred at that time. It was felt that many stockholders thought when they received a stock dividend, they were receiving income, which in reality was a return of capital. It was not well understood.

Accordingly, in 1941 we set a basis for stock dividends whereby in the event a company determined to pay a stock dividend, it would be necessary for them to transfer from earned surplus to capital surplus an amount which would represent a fair value or a fair market value of the stock which was being issued as dividend. Also that the earnings for the period from which the stock dividend was paid were sufficient to cover the amount to be charged for the stock dividend, after deducting cash dividends. That had an automatic effect on stock dividends, so that the companies couldn't go along willy-nilly, since it didn't represent any cash distribution, and declare the stock dividend. It was necessary for the purpose of listing the additional stock represented to see that these two factors were taken care of, that is, one, that it was accounted for on the basis of the so-called fair market, and, two, that the dividend was earned over the period covered by the stock dividend. We use as a measure the period between the stock dividends.

Accordingly, if a firm paid an initial stock dividend they could go back any reasonable period of two, three, four or five years if they desired, but if in one year they declared a second stock dividend, the period of measure was between the two stock dividends. That has a substantial limiting effect, because it means that if the company had a loss for that year, they couldn't, under our requirement, issue a stock dividend.

Terms of Subscription Rights

Listed companies are under agreement to give adequate time for subscription rights, that is, the right to subscribe. Many companies in order to obtain additional equity capital will have a rights offering. We find that particularly true in the utility companies during the last two or three years. The utilities seek more and more additional equity capital through the so-called rights offering whereby they offer their stockholders the right to subscribe to additional shares of common stock.

That may be in varying ratios, perhaps one new share for each ten shares held or each five shares depending upon how much additional capital they may need. The Exchange has certain requirements in relation to those rights in order that stockholders will have adequate opportunity either to subscribe for the additional shares or to sell their rights.

You may be interested in the history of those rights. Back in 1880 it was usual to require a stockholder to come in personally to the office to subscribe to the stock right. After 1880 it became customary to send out a printed slip of paper to enable stockholders to sign and subscribe for the stock without actually going to the office of the corporation. After that it became the practice to make these slips of paper transferable, so that if the stockholder was not interested, he could turn it over to his next-door neighbor to subscribe.

It was around 1910 that the engraved form of warrant, as it is today, was issued. That was transferable so that it could be passed on by the stockholder to somebody else.

Usually these rights have value in that, let's say, the stock is currently selling around $25 and the right to subscribe might be at a ratio of, let's say, one to ten, at a price of $22 per share. It would then have value for the person who had the right to subscribe since he could buy the stock at $22 when it was selling at $25. The stockholder can sell his right for the value represented by the difference between the current value and the subscription price, and he can realize on it either way.

Unless he has time to do that, you might feel that he is not getting his due, which would be correct. Therefore, we have set up certain time schedules for that purpose. They are for a minimum period of 16 days where ordinary mail is concerned, and 14 days under certain circumstances where all rights west of the Mississippi River are mailed by air and an opportunity is given to stockholders to subscribe by means of telegraphic subscription. That means he could go to any banker or member of the Stock Exchange and they in turn would send a telegram to the subscription agency in New York City, advising of the subscription and making funds available. They would then forward the warrants by mail.

We keep watching to make sure that stockholders are afforded an adequate opportunity to subscribe. The problems are these. These offerings are usually underwritten by underwriters who carry the risk since they guarantee to take down any shares that are not subscribed to by the stockholders. If the market during that 14-day period drops from the original selling price of $25, with a subscription price of $22, to $20, the right becomes valueless and very few of the shares of stock are subscribed, and the underwriter has to take down the remainder.

Therefore, the underwriter would like to see that period shortened, and, on the other side, the Exchange tries to keep it sufficient for the benefit of the stockholders to have an opportunity to subscribe or sell. Each rights offering is a problem in relation to the risk involved as compared with the time element for the benefit of the stockholders.

Just to give an illustration of that, we made a study of the subject back in the early part of 1947 after the failure of three rights offerings. We found that on 43 rights offerings which had been successful, the underwriters made a profit of roughly $2.4 million, while on three rights offerings which were not successful, their losses were in excess of $3 million. It got to the point where an underwriter would not underwrite a rights offering unless the period was as short as five days, although the Stock Exchange insists on 14 days.

Therefore, there were no rights offerings. Something had to cut that Gordian knot. The situation was talked over as to whether there was a new approach to be found whereby instead of the underwriter sitting back with his big selling organization and doing nothing, they could participate in the offering during the period of the subscription. That was a new concept of the underwriters coming in and doing some selling over the offering period.

The plan was worked out whereby the underwriters would have to wait twenty-four hours after the rights offering was made in order to give the warrants an opportunity to seek an appropriate level from the standpoint of price. Then they could go ahead and buy warrants at that price and dominate the market, if necessary, as long as they didn't increase that price.

Through that means we are able to get back on schedule so that companies can obtain their capital and underwriters would be willing to take a risk of 14 to 16 days. There are many angles to the rights offerings which cause many problems and difficulties as they come up.

Proxy Requirements

We have certain requirements as far as the proxies are concerned. A proxy is the means of obtaining the stockholder's vote. As a general rule, companies send out proxies to the stockholders in order that they may sign them and return them to the company for the purpose of the vote. Many companies are so large that it would be impossible for all the stockholders to be present at the annual meeting.

There are many factors in that relationship. The Securities and Exchange Commission has proxy rules. If a company solicits proxies, it is necessary to conform with the rules of the Securities and Exchange Commission governing the form of proxies.

There are certain difficulties involved. At one time all companies except those organizations listed on the Exchange solicited proxies. In 1938 the Commission required the disclosure in proxy statements of the salaries of corporate officials. Since that time about 10% of our listed companies have not solicited proxies because of the necessity of that disclosure. That is our understanding, at least. They feel that disclosing the salaries of corporate officials would cause a terrific amount of dislocation in the company, and would cause much talk across bridge tables in particular towns in which they do business.

There is no requirement of the Stock Exchange or the SEC that a company must solicit proxies. It is up to the company as to whether or not they want to do it.

Member firms are permitted to vote proxies which have been submitted to the beneficial owners, provided there is no contest and it is not a matter which substantially affects the legal rights and privileges of the stockholders. Therefore, it is necessary for the Exchange to examine those proxies to see whether the member firms may or may not vote on the question. It depends on the circumstances.

I could give you any number of cases, but I will give a broad generalization. Such a one might be the request to create a new security which affects the rights and privileges of the stockholder. The member firm may not vote, and must go to the beneficial owner for the purpose of determining how he desires to vote.

The Exchange has special requirements for foreign shares. We would like to list the ordinary shares of a foreign company, but many difficulties arise. We have listed the so-called ordinary shares of companies organized under the laws of Cuba, Canada and the Philippines, but beyond that we have not been able to go. We are hopeful that some time we can. The problems are these:

Take English companies, for instance. They have both registered shares and ordinary shares. The transfer of registered shares is not by the simple power of assignment such as we have. The procedure is almost like selling a house and getting a deed for that particular transaction. That wouldn't fit into our market. Therefore, we have used the device of the so-called American share whereby we list the English company, such as Electric & Musical Industries. What happens is that the so-called American share is issued against deposit of the ordinary share. That American share is transferable the same as any other domestic company stock certificate, and the dividends are mailed by check to the registered stockholder of that American share. For that reason the American share is similar to domestic shares as far as the United States holder is concerned.

Now, many companies abroad have coupons attached to their ordinary shares. The reason for that is that in France, for instance, they can take them out and bury them. They have been subjected to so many invasions, they want something they can keep without an invading army knowing that they have it. In this country we have registered certificates and those are transferable by assignment, and we expect to receive everything from the company from financial reports to dividend checks, and we try to give the security holder what he expects.

That is why the American share certificate provides for the facilities which otherwise wouldn't be present. You could take some ordinary shares of Electric & Musical Industries and place them with a depository in London. He would release them through the New York depository and some hours later the American share would be issued. So you would have no problem buying and selling because it is all done by cable. You would have to pay the cable charge. The only difficulty today is exchange restrictions because if you bought the American shares and sold ordinary shares in London, you couldn't take the United States dollar out.

There are other factors as well. In many countries, France, for instance, they have the so-called opposition. If, for example, you owe some money, and the person to whom you owe that money knows you have some bearer shares of X, Y, and Z, he can go to the company and file an opposition against them. Accordingly, that opposition follows those shares, and if you decide to sell your shares tomorrow the new owner of those shares would be liable for that debt. By checking that we can assure that each American share has no opposition against the ordinary share. That is the function of the depository.

Certificates of Deposit

We have certificates of deposit and an assent of security which may be of interest. Certificates of deposit are usually issued where it is felt that the consent of the security holder is needed to adopt some plan which probably represents a recapitalization or reorganization of the company as absolute evidence that the stockholder will go along with that plan.

In other cases a mere assent by the security holder has been found sufficient. We prefer the assent method for the reason, particularly if the certificate of the underlying share is not interchangeable, we find that they may sell at two different prices.

Cases of Delisting

I should like to talk about delisting. There are a number of securities listed on the Exchange that we would rather not have, but it is a very difficult problem to delist them. There are certain procedures which we must follow. It is necessary for the board of governors to authorize the delisting, and to file an application with the Securities and Exchange Commission to delist the security.

I will just give you one experience which we have had in relation to this subject. We delisted a number of securities which we felt were absolutely inadequate for the purpose of continuing on the list. Of course, that is one of the reasons for the standard of listing.

We will take the case of the New York and Harlem Railroad. About 97% of that is owned by New York Central. Apart from this large holding, there are only about 4,000 shares outstanding. There are about 200 holders of that security. Several years ago over a short period that stock had a sharp price rise on small volume. We were not making a market. We thought that stock should not be listed on the Exchange and

determined to hold a public hearing of our own concerning its delisting.

Well, of the 200 holders about 100 showed up at the public hearing and another 50 were represented by letter protesting the delisting. They said, "True, it may not make the kind of a market you expect on the floor of the Exchange, but at least we can see what is going on. If it is taken off and put on an over-the-counter basis, we won't know. You are selling us down the river." They claimed they bought the stock as it was listed, and saw no reason why it should not continue to be listed.

It is very difficult to know what to do in a case like this. It was listed for a long period of years, and it is very difficult to just arbitrarily remove it from the list.

I should have gone into this before at the beginning. The Exchange is not responsible for values. We expect the company listed will be a going concern and will continue to be a going concern.

It is the old story. If you went to a banker at the turn of the century and said, "Where shall I put my money?" he would probably say, "Buy railroads. That is a service industry and they will be continuing in business for years and years. But keep away from the new-fangled industrials." Well 75% of the stockholders of railroads were wiped out through reorganizations since the turn of the century, particularly since 1920.

The Exchange couldn't protect people against that. That is not the function of the Exchange. That is like the manufacturer of horses' buggies who didn't transfer to the manufacture of automobiles. He is now out of the picture.

We try to see that full information is available, and it is up to the security holder to determine whether or not management keeps pace with the times. We cannot interfere with management. Companies may prosper or they may go out of business; we are hopeful they will continue to prosper.

With Merritt in Pittsburgh

PITTSBURGH, Pa.—John F. Donahue is now connected with King Merritt & Co., Inc.

Thomas Lysett Joins Courts in Durham

(Special to THE FINANCIAL CHRONICLE)

DURHAM, N. C.—Thomas A. Lysett has become associated with Courts & Co., 111 Corcoran Street. Mr. Lysett was formerly with Thomson & McKinnon in Florida; was with Oscar Burnett & Co., Elder & Co., and in the past was with Fenner & Beane in the South and Southwest.

Business Man's Bookshelf

Democracy in Politics and Economics—Charles P. Taft—Farrar, Straus and Co., 53 East 34th St., New York 16, N. Y.—cloth—$2.

Development of A Policy for Industrial Peace in Atomic Energy, The—Donald B. Straus—National Planning Association, 800 Twenty-first St., Washington 6, D. C.—paper—$1.

Management in Motion—Neil W. Chamberlain—Labor and Management Center, Yale University, New Haven, Conn.—paper—$2.

Continued from page 4

The State of Trade and Industry

to drain them off almost as fast as they are received, "The Iron Age" points out.

Pressure is increasing for nearly all types of steel products, and a large tonnage carryover into the fourth quarter is now expected. Although the fourth quarter could be sold out quickly, producers don't want to open their books until they learn definitely from Washington how steel is going to be distributed. A good deal of business has already been turned away pending clarification from the Capital, this trade authority concludes.

The American Iron and Steel Institute announced this week that the operating rate of steel companies having 94% of the steel making capacity for the entire industry will be 99.4% of capacity for the week beginning July 17, 1950, compared to 96.0% a week ago, or a rise of 3.4 points.

This week's operating rate is equivalent to 1,894,800 tons of steel ingots and castings for the entire industry, compared to 1,830,000 tons a week ago. A month ago the rate was 101.2% and production amounted to 1,929,100 tons; a year ago it stood at 78.3% and 1,443,500 tons.

Electric Output Recovers Some Ground

The amount of electrical energy distributed by the electric light and power industry for the week ended July 15, was estimated at 6,006,345,000 kwh., according to the Edison Electric Institute.

It was 626,421,000 kwh. higher than the figure reported for the previous week 664,238,000 kwh., or 12.4%, above the total output for the week ended July 16, 1949, and 908,887,000 kwh. in excess of the output reported for the corresponding period two years ago.

Carloadings Reduced by Rail Strike, Holiday and Vacations

Loadings of revenue freight for the week ended July 8, 1950, totaled 553,876 cars, according to the Association of American Railroads. This was a decrease of 229,481 cars or 29.3% below the preceding week due to the July 4 holiday, the coal miners annual vacation period, and a strike of switchmen on five western railroads.

The week's total represented a decrease of 41,445 cars, or 7% below the corresponding week in 1949, and a decrease of 201,224 cars, or 26.6% below the comparable period in 1948.

The corresponding weeks of 1949 and 1948 also included the July 4 holiday.

Auto Output Rises Despite Steel Shortage and Strikes

According to "Ward's Automotive Reports" for the week ended July 1, motor vehicle production in the United States and Canada advanced to an estimated total of 202,594 units, compared with the previous week's total of 137,731 (revised) units.

Total output for the current week was made up of 158,260 cars and 34,804 trucks built in the United States and a total of 6,920 cars and 2,610 trucks built in Canada.

The week's figure was achieved despite "a mounting steel shortage" and strikes in plants of two important parts suppliers, "Ward's" said.

The week's total compares with output of 156,436 units produced in the United States and Canada in the like 1949 week.

Business Failures Rise in Post-Holiday Week

Commercial and industrial failures rose to 187 in the week ended July 13 from a holiday low of 138 in the preceding week, Dun & Bradstreet, Inc., reports. Casualties reached the highest level since May and were more numerous than in the comparable weeks of 1949 and 1948 when 167 and 91 concerns failed respectively. Despite this increase, failures were 31% below the prewar total of 272 in the similar week of 1939.

Casualties, involving both large and small liabilities, increased from the previous week.

Most of the week's increase was concentrated in retail trade. The number of concerns failing equalled or exceeded the 1949 level in all industry and trade groups except construction. The sharpest relative rise from last year occurred in retailing where casualties were up 23%.

Six of the nine major regions reported more casualties than a year ago; the exceptions to this general rise were the New England, South Atlantic and East South Central States.

Food Price Index Rises to New 19-Month Peak

The rise in wholesale food prices was moderate last week following the previous week's sharp upturn. The Dun & Bradstreet wholesale food price index rose 9 cents to stand at $6.28 on July 11, a new high since Dec. 7, 1948 when it stood at $6.33. In the preceding period the index showed a 15-cent gain. The current figure represents an increase of 10.6% above the $5.68 of a year ago, but it is 14.7% below the all-time peak of $7.36 recorded on the corresponding date two years ago.

The index represents the sum total of the price per pound of 31 foods in general use. It is not a cost-of-living index and its chief function is to show the general trend of food prices at the wholesale level.

Commodity Price Index at Highest Level Since September 1948

The upturn in commodities was accelerated the past week by the influence of international developments resulting from the Korean situation. The Dun & Bradstreet daily wholesale commodity price index advanced sharply to the highest level since September, 1948. The index closed at 275.58 on July 11, up 5.15 points from 270.43 a week previous, and compared with 238.65 on the like date a year ago.

Grain prices fluctuated irregularly during the week but scored further substantial advances in the face of seasonally downward influences.

In addition to the Korean situation, bullish sentiment was aided by the announcement of government loans on many crops at higher levels than last year. Offerings of corn were readily taken. Aided by persistent commission house buying, both the July corn contract and the cash article rose to new highs for the season with current prices above the loan level of the 1949 crop.

Trading in grain futures on the Chicago Board of Trade expanded sharply to a daily average of 50,800,000 bushels during the holiday week, comparing with 43,000,000 the previous week, and 45,600,000 in the same week a year ago.

Hard wheat flour bookings in the Southwest showed some improvement but buying in the East remained relatively light. Bakers and jobbers hesitated in making commitments in the hope that pressure of new wheat marketings would result in more attractive offerings. Trading in cocoa was active with prices touching new high ground for the season in irregular movements. Actual cocoa prices were up 1¼ cents a pound for the week. Coffee also struck new seasonal highs. The spot Santos 4s grade closed at 52¼ cents a pound, a rise of 2¼ cents over a week ago, and comparing with 27¼ cents at this time a year ago.

Lard was active and strong at recent high levels. Trading in the Chicago livestock markets continued active. Live hogs moved irregularly higher with seasonally light market receipts resulting in highest prices in twenty months. Fresh and cured pork meats also registered substantial advances during the week. Cattle and sheep prices moved upward, reflecting a firmer price tone in wholesale meat markets.

Domestic cotton prices displayed a strong undertone most of the past week and rose sharply in closing sessions. Spot prices at New York closed at 38 cents a pound, a rise of almost 3 cents over a week previous and the highest in over two years.

The sharp upturn was sparked by the publication of the first official estimate of the acreage planted to this year's crop, which was far below trade expectations.

The Department of Agriculture report placed the acreage of cotton under cultivation on July 1 at 19,032,000, or 31.3% smaller than last year's figure of 27,719,000.

Cotton textile markets continued active. Demand for all kinds of gray goods was strong with prices trending higher. Many mills were reported withdrawn from the market pending new price developments.

Trade Volume Lifted by Clearance Sales and Korean War

Spurred by prevailing July clearance sales and continuing international tension, the nation's consumers increased their buying somewhat in the period ended on Wednesday of last week. Aggregate retail dollar volume, according to Dun & Bradstreet, Inc., in its current summary of trade, was slightly to moderately above the level for the similar 1949 week.

Items of sportswear remained popular with shoppers, as the total demand for apparel rose last week. Beach clothing and suits of tropical fabrics for both men and women were eagerly sought. While hosiery was in limited demand, there was a marked call for women's footwear, especially of the informal varieties. There continued to be an appreciable interest in accessories, though it was not so noticeable as in the previous week.

The over-all amount of retail food bought in the week was nearly unchanged; a slightly decreased unit volume countered rising prices in some foodstuffs. Fresh cuts of meat were superseded by processed varieties on the tables of many consumers.

Buying economy was also reflected in the increased demand for the less expensive canned foods at the expense of some fresh produce.

The dollar volume of dairy products rose slightly in scattered sections.

There were sharp increases in the demand for some house-furnishings the past week, as the total volume of durable goods rose moderately from the level of the previous week. The interest in major appliances was particularly notable; refrigerators, washing-machines, and ranges were in wide demand in some areas.

Volume in television sets and some electrical appliances remained at a high level.

The demand for furniture was largely unchanged.

Total retail dollar volume in the period ended on Wednesday of last week was estimated to be from 1 to 5% above a year ago. Regional estimates varied from last year's level by these percentages:

New England and South +3 to —1; East +2 to —2; Midwest, Northwest, and Pacific Coast +1 to +5; and Southwest 0 to +4.

There was a moderate rise in wholesale orders in the week following the previous holiday-shortened week. Total dollar volume was somewhat above the level for the corresponding week in 1949. The number of buyers in attendance at the various wholesale centers increased sharply last week and was about on a level with a year ago.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended July 8, 1950, rose 7% from the like period of last year. An increase of 10% was recorded in the previous week from that of a year ago. For the four weeks ended July 8, 1950, sales showed a rise of 6% from the corresponding period a year ago, but for the year to date a drop of 1%.

Here in New York the past week promotional offerings and purchases stimulated as a result of the Korean conflict served to lift retail trade volume of department stores about 10% above the 1949 level.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to July 8, 1950, declined *7% from the like period of last year. In the preceding week an advance of 7% (revised) was registered from the similar week of 1949. For the four weeks ended July 8, 1950 no change took place. For the year to date volume decreased by 4%.

*In using year ago comparisons allowances should be made for the differences in the number of trading days. For stores in some cities the week ending July 1 had one more trading day than the corresponding week last year and conversely the week ending July 8 contained one less trading day.

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The Security I Like Best

figure of the cash throw-off. Accordingly, for those who are willing to accept variability in the price of the shares, there is an intrinsic fundamental value and appreciation expectancy which is great, and which in some respects can dissociate itself from the vagaries of the stock market as a whole.

GEORGE B. FISHER
Security Analyst,
Bosworth, Sullivan & Co.,
Denver, Colo.

(Southern Union Gas Company Common Stock)

Of course, there are many common stocks that one might choose after close study as "The Security I Like Best," but one which is particularly attractive in my opinion is the common stock of Southern Union Gas.

George B. Fisher

This stock, traded over-the-counter, is not only suitable for the conservative investor, but it also has a speculative flavor which should appeal to the appetite of those investors more interested in possible capital appreciation. The conservative investor is usually looking for stability of earnings, reasonable income and moderate appreciation possibilities through growth of the company's operations. The speculative investor is looking for a security which may give him a handsome reward for the risk he assumes. By the purchase of Southern Union, the buyer receives those features desired in a conservative investment through the utility operations and at the same time receives a speculative interest in oil and gas acreage which has great potential value.

As a utility, Southern Union is engaged in the transmission and distribution of natural gas in New Mexico, West Texas, and to one community in Colorado. Because of the proximity of either gas fields or major pipelines to the various areas served, the system is not interconnected. The company produces approximately 30% of its gas requirements, purchasing the balance from pipelines or independent producers.

Growth in most parts of the territory served has been outstanding. Some idea of this growth is realized by looking at the population comparison of cities served at retail. Albuquerque, New Mexico, which is termed by some as the "fastest growing city in the Southwest," shows a population increase from 35,450 in 1940 to a preliminary figure of 97,000 in 1950. Other comparisons include Carlsbad with a population of 7,100 in 1940, now estimated at 23,000; Clovis, New Mexico, from 10,000 to an estimated 24,000; El Paso, Texas, from 96,810 to 137,000. Other large cities served include Austin, Port Arthur and Galveston, Texas; and Santa Fe, New Mexico.

This dynamic growth of population is, of course, reflected in Southern Union's operations. In 1944, the company was distributing natural gas to 59,706 customers and at the end of 1948 served a total of 85,851. 1949 was the greatest expansion year in its history. Through merger of Texas Public Service, the purchase of Albuquerque and other properties, and by additions to existing facilities, a total of over 171,000 customers were using natural gas at the end of the year, a gain of 99.4%. In the past five years, volume of gas delivered increased 69%, annual revenues from gas sales 78% and net income 89%.

The outlook for continued growth in utility operations is most promising. Since merger of Texas Public Service in July 1949, over 5,000 new meters have been added to these properties and over 6,000 meters to the Albuquerque system since its purchase in September 1949. In the first five months of this year, new customers added in Albuquerque have averaged about 800 per month and still the demand is far from satisfied. In addition to continued growth from existing facilities, Southern Union has plans for extending service to three New Mexico towns which will add about 1,500 new meters. The company has also been granted franchises in eight new towns in Arizona which will receive natural gas upon completion of the San Juan pipeline of El Paso Natural Gas Pipeline Co. recently authorized. This project is expected to add at least 15,000 new customers. It can thus be seen that there is every reason to believe that sales, revenues and net income will continue to show outstanding growth.

Earnings for 1949 were $1.34 per share based upon 1,196,378 shares outstanding at the end of the year, which only includes the operations of Texas Public Service from July 31, 1949 and the Albuquerque properties from Sept. 30, 1949. In spite of one of the mildest winters on record, earnings for the first three months of 1950 rose to 95 cents per share on 1,500,220 shares, which compares with 80 cents per share on 1,181,772 shares for the first quarter of 1949. It is estimated that full year operations will result in earnings of approximately $1.75 per share in 1950 and that earnings of over $2 per share are possible for 1951. The common stock is only on an 80 cents annual dividend basis which would indicate a possible dividend increase.

There has been a tremendous improvement in Southern Union's credit as witnessed by the fact that $18,000,000 of bonds with a 2⅞% coupon were sold at a premium in early 1950. Capitalization is now well balanced, with long-term debt representing 46.1% of the total at March 31, 1950, preferred stock 21.4% and common stock and surplus 32.5%. Current working capital exceeded $3,000,000.

In my opinion, the Southern Union purchaser is buying a sound natural gas distributing utility which should continue to show substantial growth in the future and which should result in increased earning power as well as increased dividend payments in the years to come. At its current price of 17, the stock offers a yield of 4.7% and is selling at 10 times estimated earnings which is in line with other natural gas stocks.

Turning to the speculative side, we find Southern Union and its wholly owned subsidiary, Aztec Oil and Gas Company, have interest in over 350,000 acres of oil and gas leases, of which 200,000 are located in the San Juan Basin. The company and subsidiaries have already completed 87 gas wells and since Jan. 1, 1950, have completed 10 additional gas wells with four more in the process of being drilled. The success of its drilling is indicated by the fact that the company completed a discovery well in the new La Plata Gas Field and then brought in two additional producers. The company also has half-interest in two gas wells in the recently discovered Blanco Gas Field. Present known gas reserves are estimated in excess of 500 billion cubic feet. While space does not permit full discussion of this area, the San Juan Basin has great potentials, and in the recent hearing for authorization of the San Juan Pipeline, potential reserves have been estimated as high as 9 trillion cubic feet in this area. It would thus appear that Southern Union should be able to prove up a considerable amount of acreage out of the 200,000 acres held in this area.

Southern Union was giving consideration to the divestment of Aztec Oil and Gas Company from its operations earlier this year. However, certain circumstances arose whereby this was postponed —one of the main reasons being that Southern Union is spending over $200,000 a month for drilling which the new company would have been unable to finance. The idea of the divestment, however, has not been given up, and consideration may again be given when it is felt that it will be beneficial to the stockholders.

This, then, is the speculative flavor—ability to add to the known gas reserves of the company and possible divestment of Aztec Oil from Southern Union to give the stockholder a gas producing company of considerable value.

GEORGE V. HONEYCUTT
Harbison & Henderson
Los Angeles, Calif.

(Kern County Land Co. Common)

There is no "one" security that is "best" for the future, but I should like to call attention to a Company that, in my opinion, is a sound investment and has a great future! That is — California's giant Kern County Land Company.

George V. Honeycutt

Now, that's not a very romantic sounding name — but let's see what is behind it.

Kern County Land Company is rich! Rich in land, oil, cattle and water. And plenty of money in the bank.

The Company was incorporated in California in 1890 for the business of raising cattle and crops, and the operation of an irrigation system. While these operations have prospered and grown, it was the discovery of a major oil field on their land in 1936 that brought great value to the Company.

Their land is owned in fee, and is located in the following states:

State	No. of Acres
California	405,000
Oregon	142,000
Arizona	561,000
New Mexico	745,000
Total	1,853,000

While their oil operations constitute about 90% of their annual income, we might look briefly at their other activities.

The Company is one of the largest cattle producers in the United States, owning at the end of 1949 approximately 54,000 head, mostly Herefords. The ranches in Oregon, New Mexico, and Arizona are used as breeding grounds for the production of calves, which are shipped to the ranches in Kern County for fattening. Net profit from cattle operations in 1949 was $221,698.

The Company leases about 24,000 acres of its land to about 85 farmers for the production of potatoes, cotton, sugar beets, etc. In 1949 the net revenue from crop operations was $1,188,585.

The Company's canal and irrigation systems comprise approximately 1,000 miles of canals and ditches.

As I stated before, their oil income really begins with the first major discovery made in 1936, when the famous Ten Section Field was brought in by Shell Oil Company. Thereafter several other major oil fields were discovered and explored on Company lands. The Company has not itself engaged in operations for the exploration, development and production of oil and gas, but has leased its lands on a royalty basis to major operating oil companies for that purpose.

At the present time approximately 34,000 acres in California are under oil and gas leases, and there are 769 oil and gas wells on the Company's lands. In 1949 their net revenue from oil and gas royalties was $16,605,731.

The following figures tell the story of Kern's growth in the past 10 years:

	Oper. Revs. (000's omitted)	Net Inc. (000's omitted)	Earn. Sh.	Divs.
1949	$23,081	$12,460	$6.23	$4.50
1948	19,737	11,293	5.65	4.00
1947	16,622	9,465	4.73	3.25
1946	12,211	6,665	3.33	2.50
1945	11,860	4,106	2.05	1.75
1940	8,464	3,113	1.56	1.00

Kern County Land Company's capitalization consists of 2,000,000 shares of common stock. It has no preferred stock or funded debt. As of Dec. 31, 1949, current assets totaled $20,597,945—against current liabilities of $5,762,449.

Marketwise, the stock has been as low as 45⅛ this year, and as high as 58½. As this is written, it is selling at 54. Based on last year's dividend of $4.50, that is a yield of over 8¼%.

As to the future, there are many factors to look forward to. New oil fields may be discovered any time, which would greatly enhance the over-all value. The Company received a $3,500,000 tax refund this year, and those close to the picture feel sure that at least part, if not all, will be distributed to the shareholders later on this year. Therefore, as earnings have been running ahead of 1949, Kern County Land Company shareholders should profit handsomely.

Kern County Land Company common is listed on the New York, Los Angeles and San Francisco Stock Exchanges and, in my opinion, is a conservative investment for either individuals or institutions.

Railroad Securities

Chicago, Milwaukee, St. Paul & Pacific

Considerable interest has been developing in the lower priced, more speculative, rail stocks in the past couple of weeks. Speculators are harking back to the days of World War II and recalling the substantial earning power these roads were able to develop under an all-out war economy. Since the end of the war many of these properties have been hard pressed to show much, if anything, in the way of earning power and have, therefore, been pretty much neglected marketwise. Now, with the prospect of a heavy armament program and the likelihood of fairly heavy material shipments overseas, it is felt in some quarters that these highly leveraged properties may again be able to show good profits.

One of the favorites in the low priced group has been the common stock of Chicago, Milwaukee, St. Paul & Paciifc. At the opening Monday, this stock was selling only a half point below the year's high and almost 60% above the 1950 low. In addition to the general factors attracting speculators to low priced equities as a whole there is one specific consideration in this picture that may be having considerable market influence. That is the question of control of the company. Up to now this control has been vested with the voting trustees. The voting trust expires late this year. At the next annual meeting control will pass to holders of the stock.

As of the present writing it is not definitely established whether the Board of Directors will be dominated by the preferred or by the common stock. Each class is entitled to one vote per share. Under normal conditions, then, control would rest with the 2,123,214 common shares rather than the 1,121,740 preferred shares. However, the preferred stock, voting as a class, is entitled to elect a majority of the Board until preferential dividends aggregating $15 per share for three consecutive calendar years have been provided. Only $3.25 has been paid so far this year and $4.00 in each of the two preceding years. To meet the $15.00 requirement, and thus give the common the privilege of electing a majority of the Board in 1951, an additional $3.75 must be paid on the preferred this year.

The general feeling is that the additional $3.75 will be paid this year, and the full $5.00 next year. Last February, when the $3.25 dividend was declared, Chairman Leo T. Crowley, stated that when final determination of the company's tax refund claim is made the Board will give further consideration to payment of additional dividends on the preferred in respect to certain years in which the full dividend had not been paid. A settlement of the claim on a basis favorable to St. Paul has been expected for some time but new delays keep cropping up and there is no telling when it may come. The amount involved would, it is believed, just about cover the necessary $3.75 payment on the preferred.

Since the end of the war St. Paul's earnings have presented a sorry picture. It has again been demonstrated that a mere change in the capital structure is not sufficient to eliminate the troubles of an individual railroad if other weaknesses, such as traffic or operating difficulties, remain. On a pro forma basis common share earnings, after sinking and other reserve funds, hit a peak of $14.77 a share in 1943. In contrast, in only one of the past four years has the company been able to cover the preferred dividend in full. In one year, 1947, there was a balance of $0.49 a share available for the common.

There has been a decided change for the better in the company's operations this year. Gross was off modestly in the five months through May. This decline was more than offset by the cut in operating costs. As a result, the net loss was only $1,186,512 against a net deficit of $3,283,065 in the first five months a year ago. This is normally the seasonal low for the road and the fact that a loss was sustained is not cause for concern. Prospects for the seasonally good months ahead are fairly good. For the year as a whole the road should do better than in any year since the end of the war, with at least modest earnings available for the common.

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Fair Return to Venture Capital

the world community. One other investment capital group has interested itself in new products and developments in the food field. Still another group has directed most of its attention to metal fabricating enterprises.

But the approach to the problem has certain common denominators. Where the individual investor cannot afford the time or effort, the group that is prepared to invest substantial amounts in a limited number of enterprises with a correspondingly greater potential gain from those which are successful, can afford to establish methods for thorough analysis and appraisal of projects before any investment commitment is made. After an investment has been made, the venture capital group can render assistance to the enterprise in a multitude of ways through following the progress of the venture and working with the company management in anticipating and solving problems.

Lated on we are going to discuss several specific cases, at which time you can see the ways in which our group has worked with company managements after investments have been made.

Factors in Fair Return

So much for the background on venture capital—what it used to involve and what it involves today; the groups that are in the business today and their approach to the subject. Now, what is a proper measure for a fair return to the venture capital investor of today. In my opinion, there are three basic aspects of venture capital which have a direct bearing on the problem of fair return.

First—No matter how good you are at evaluating and appraising venture capital opportunities, the very nature of the business is such that it involves a high degree of risk and a consequently high mortality rate. I would say that a batting average in venture capital equal to that of a good baseball player would be a fairly good batting average. In other words, if between three and four out of 10 ventures were successful, you would be in the .300 to .400 batting class and would be up with the league leaders. Our experience, both with enterprises in which an investment has been made and more particularly in those which we have considered and decided not to invest in, has indicated that the mortality rate is very high. Our organization has received approximately 2,200 proposals during the past three years. Most of these were rejected immediately, but of the several hundred that were studied to a varied degree, the number in which our principals have invested amounts to 24. Most of these latter have not matured sufficiently to guess accurately their probable accomplishments, but in reviewing specific venture capital projects shortly you will be able to better understand the vagaries of the business.

Second—If a venture capital enterprise is basically sound, well financed and well managed—in other words, if all the ingredients for success are present in the proper proportions and if the venture is a sound and successful one, this does not happen overnight or in the relatively short periods of time usually forecast by even the more conservative promoters. Our experience has been that the time cycle from initiation of the venture to the point at which it could honestly be said to be relatively successful and relatively well established varies from five to 10 years. This may surprise you, and a lot of people would argue that the cycle is a much shorter one, but a look at the record will, I believe, show that our experience has been more or less representative. Of course there are exceptional cases in which a new venture becomes a great success within a couple of years but we are thinking in terms of averages and not extremes.

Third—The third aspect of venture capital which has a direct bearing on the question of fair return is what I shall call, for lack of a better term, the lock-up aspect. The average new venture, in addition to being highly speculative and taking a long time to mature, has initially in most cases a limited number of financial backers who have put their money into the venture for long-term growth and appreciation. The result of this is that, no matter what form of security is issued in return for the investment, it has no liquidity in the conventional sense for a long time. Suppose, for example, that we invest $100,000 in the XYZ Company for which we receive a 25% equity interest in the Company, and that two other investors or venture capital groups each put up a like amount and the management holds the remaining 25% of the stock. After five years the company is doing beautifully, the stock has a book value of twice what we paid for it and growth and earnings prospects would justify valuing our stock holdings at $300,000. How and to whom do we sell our stock if we wish to do so and thereby realize a substantial capital gain? There is no market for the stock except for a few people who might buy a few thousand dollars worth of the stock. It is not listed on any stock exchange, it is not even traded over the counter, the financial community is not familiar with the company and consequently not interested in attempting to create a market for its stock. The chances are that no institutional investor would be interested because what we have to sell has no liquidity. The company has developed beyond the point where any venture capital group would be interested in an investment in its stock.

I would suggest that Professor Ricciardi pose that problems for a full summer advanced course next year.

You will see from the cases we are going to discuss what a very real problem this can be and how the net result is to further lengthen the cycle between the initial investment and the time when it can be liquidated at a profit in order to free funds for further investments in other new enterprises.

This brings us to the basic question of what constitutes a fair return to venture capital. The word "fair" is used in the sense of what is adequate enough or attractive enough so that the sources of venture capital will continue to be available to sponsor worthwhile research and development in new fields and new products. Without a "fair" return, there will in time be a shrinkage or elimination of the sources of venture capital.

I do not believe that anyone who has worked in the venture capital field has even attempted to determine a fair return by other than empirical methods. Taking into account the three factors mentioned above—

(1) Relatively small chances of success;

(2) The long time cycle—meaning that money is tied up for a long time without, in most cases, any return at all;

(3) The difficulty of liquidating even when successful—

it seems to me that no venture capital opportunity can be considered as attractive today unless it has the possibility of returning several times the original investment.

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Ford's Collective Bargaining Approach

themselves to plan their bargaining in a more calm fashion. In the past, we have gone along with the heavy final meeting schedule merely because we want to leave no stone unturned on our part to reach a settlement without a strike.

"What on earth do you talk about through months of negotiations and weeks of steady day and night sessions?" the outsider asks. Of course, one answer is, that there's lots of repetition of the same arguments on the same points. The union may go through many long emotional arguments. These may impress the union's 18-man bargaining committee, and, as you know, are sometimes used in appeals to the public, but have little to do with mature, business-like collective bargaining.

Here's a little poem attributed to an anonymous union writer which was passed around at the UAW convention in Milwaukee last July. It gives one man's idea of what takes up so much time in bargaining sessions, and is not far wrong, I'd say. It's titled "Collective Bargaining" and goes as follows:

We wheedled and threatened and blustered,
We ranted and wrangled and roared;
We chided and fretted, we scoffed and we petted,
We snickered and wept and implored.
We groveled and swore and demanded,
We spurned and we fawned and we brayed;
We trampled on data, we tossed ultimata,
We grumped and we stamped and inveighed.
We whimpered and simpered and shouted,
Pretended, defended and doubted:
We smiled and we jested, reviled and protested,
Debated, orated and shouted.
We fumed and we sneered and we whined,
We flattered, cajoled and maligned,
Consented, revoked and declined,
And—finally—a contract was signed!

Another thing that causes some trouble is the union tradition of wildly shooting for the moon in its initial demands and widely publicizing these absurd demands as something the leaders are going to get. This puts the leaders out on several limbs, some of which are difficult or distasteful for them to get off. Instead of starting with such extremes, it would be far better if both sides could begin negotiations with reasonable limits to demands.

To sum up, we at Ford believe in the principle of free collective bargining without government "fact-finding" interference. We think that when the collective bargining process is fully developed and put on a business-like basis it can be very effective in achieving industrial peace and security for both employers and employees. A natural outcome of that would also be that the best interests of the public and the whole U. S. economy would be served.

I feel that one approach to better collective bargaining is sound preparations for the negotiations by both management and unions. Better preparation is not the whole answer, but perhaps it can eventually cut down the leaning toward emotionalism and dramatics.

One fact is sure, though. More preparation emphasizes the business-like approach to bargaining, and perhaps after a while union-management negotiations can become more like a business conference.

Continued from first page

The Changed Stock Market Pattern

ings. There is less, rather than more, prospect of second-half business deterioration.

Greater Caution Ahead

On the other hand, **investors will be more cautious** in their stock market appraisals of earnings and dividends. Investors are unlikely to regain their former confidence and their former complacency.

The stock market over the next few months, at least, probably will be sensitive to good and bad news from Korea, to developments in Formosa, in Indo-China, in Czechoslovakia, and in Germany. It probably will blow hot and cold with the prospect for war or peace.

When the market contemplates war, it is likely to be influenced by its **memories of what happened in World War II.** No two war patterns are much alike, but the market always seems to assume that the next war will be like the last one. These memories of the past will be a great deal more sharp in times of crisis than at times when the crisis seems to ease.

The possibility of considerable **profit-taking on rallies** should not be overlooked. Normally, after a price decline like that of last week, most people have losses. This time, most people still hold stocks at a profit. There is a temptation to cash in some of these profits, just on the theory that the investor might feel "more comfortable" in a prolonged period of great uncertainty.

Assured Increase in Armament Activity

The differences between the United States and Soviet Russia are fundamental and enduring, and anyone who thinks they will yield to negotiation is either very optimistic or just naive. The likelihood that this whole matter will just "blow over" is not very great. That being the case, **a considerable increase in the activity of the armament industries** seems assured. The Korea incident already is showing that the communist countries are more "ready" than we are; and the American public will insist that this situation must be corrected.

Jumping at Conclusions

The more emotional part of the adjustment to the changed character of the national economy may be past; but individual issues have yet to be repriced according to tangible rather than purely imaginative patterns. This market, since June 26th, has been "jumping at conclusions." Many things that will happen probably have been pretty well discounted. Other things have been only partly discounted. Still other things no doubt have been discounted that won't happen at all. Until we know a little more about the pattern of the national environment, both as to general aspects and as to details, it is rather difficult to say with any degree of assurance what is discounted, what is partly discounted, and what has been discounted in error.

Restrictions on Civilian Industry

It is fairly clear that a much larger armament plan is about to go into effect; and that the demands of the armament program will be great enough to restrict (to some now uncertain extent) the raw materials and the labor supply available to purely civilian industry. The fine point to determine is just how much production of civilian goods will be restricted and just how much corporation profits will be taxed. The two big bottlenecks, it would seem to me, probably will be the supply of steel and the supply of labor. There was no surplus of either steel or labor even before this new armament program (and expansion of the armed services personnel) was superimposed on a very active civilian economy.

Market Right on Steels and Rails

The stock market probably is "right" in marking down **steel shares** and the **rails** less than most other stocks. It probably is "right" in marking down **motors** and **television** shares to some extent, but not "right" in assuming that all civilian production in these two industries will end quickly. The market would appear to be "slow" in reflecting the larger business to be enjoyed by the **oil industry,** the **non-ferrous metals producers,** the **shipbuilding companies,** and the **aircraft producers.** The market is only guessing, of course, about an **excess profits tax,** and about the details of any excess profits tax which may be enacted. If such a tax were based (in general principle) on the World War II model, most of the **growth stocks** still would look rather dear.

Korea Vitally Significant

The idea that the **Korea matter** is a mere international incident, isolated in its significance, ought to be discouraged. It may not lead to a total war like that of 1939-1945, but it inevitably is leading to some kind of an armament economy. The stock market just can't go back to the environment which prevailed prior to June 23, quite regardless of what happens now in Korea. We are feeling our way toward a new selectivity, and the new pattern already is visible through a glass, darkly.

As measured by the D-J Industrials, I would expect the market to meet some support between 188-194; but I would not look for this level to hold in event the war economy deepens. For the time being, perhaps, somewhere around 190 may be low enough. In the event of a good rally, we might meet a supply of shares around 212. Whether we get such a rally depends on the news. I would expect the Dow-Jones Rails to do much better in an armament economy or in a war economy than the Dow-Jones Industrials.

The risk element in stocks, so far as prices are concerned is bound to be high for some time. It seems to me that I would be more interested here in selectivity than in the averages. I would look for an at least partial reversal in recent selective patterns. Many of the highly speculative shares of marginal companies may do better than some of the investment type issues representing growth companies. For my own part, I especially like the rails—and by that I do not necessarily mean the best rails. They were cheaper than other stocks before this thing started, and they are even cheaper now, because what has happened makes them comparatively better,

To Get Exch. Membership

On July 27 the New York Stock Exchange will consider the transfer of the Exchange membership of Charles S. Hale to Lee R. Rossbach.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

In order to make heads or tails of this market, it seems that one has to be a military expert. At least that is the general impression one gets after listening to a lot of people who sound like they know something.

* * *

Unfortunately the only knowledge of military science I have acquired dates back to the days when I was a cub scout and the grand maneuvers were all aimed at fooling the scoutmaster, an astigmatic gentleman with queer notions of when food baskets should be opened.

* * *

Last week I purposely remained away from New York and hid out in Connecticut where I thought I'd be able to give the market some concentrated thought away from the hysteria of Wall Street. So I ran into another form of hysteria. Last Thursday a heavy wind and rainstorm hit the town of Ridgefield, about 10 miles away from my place, and according to the local radio station, which did on-the-spot interviews of the town, many people thought the storm was caused by atom bombs dropped on the area by the Communists!

* * *

But to get back to the market: There's little doubt that the Korean action will be the dominating influence for some time to come. Right now we are apparently taking a licking. In the days to come we will undoubtedly turn the tide. But somewhere in the near future there will almost certainly be some kind of a peace drive which will turn the market up again with a whoosh. There's some evidence of such a market turn already present in many of the leaders. In fact it is so pronounced that I think stocks like duPont, Radio Corp., General Motors and Westinghouse are a buy on any further weakness.

* * *

The same buying advice applies to issues like American Cyanamid, United Fruit and Best Foods. There are the rails which also show a strange vitality that can't be shrugged off. In the case of the latter, their yield, particularly with the 35% rule for trust funds, is probably a dominating influence.

* * *

I've gone over the selling of the past few weeks and have come to the conclusion that most of it came from public sources. There was some talk that the open-end trusts were responsible but so far I can't find any evidence of it. The buyers seem to be insurance companies and some of it came from abroad, mostly Switzerland. The mutual funds, though not sellers on balance, weren't important buyers either. They seem to have remained on the sidelines.

* * *

To sum it all up: I believe the market's in for a sharp rally to last anywhere from ten days to a month. What will happen thereafter is something I can't foresee. If the Far Eastern situation gets worse we'll be in for all sorts of higher taxes and other restrictions. But I also think these have been anticipated and discounted.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

With Davis, Skaggs Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Adrianus Zandbergen has been added to the staff of Davis, Skaggs & Co., 111 Sutter Street, members of the San Francisco Stock Exchange.

Joins Hannaford Talbot

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Mona M. Koppler has been added to the staff of Hannaford & Talbot, 519 California Street.

Wm. R. Staats Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — James M. Anderson is now connected with William R. Staats & Co., 111 Sutter Street.

Continued from first page

Truman Asks War Powers

bers of the United Nations, have recognized the Republic of Korea. The admission of Korea to the United Nations has been blocked by the Soviet veto.

In December, 1948, the Soviet Government stated that it had withdrawn its occupation troops from Northern Korea, and that a local regime had been established there. The authorities in Northern Korea continued to refuse to permit United Nations observers to pass the 38th parallel to supervise or observe a free election or to verify the withdrawal of Soviet troops.

Nevertheless, the United Nations continued its efforts to obtain a freely elected government for all of Korea, and at the time of the attack, a United Nations commission, made up of representatives of seven nations—Australia, China, El Salvador, France, India, the Philippines and Turkey—was in the Republic of Korea.

Just one day before the attack of June 25th field observers attached to the United Nations Commission on Korea had completed a routine tour, lasting two weeks, of the military positions of the Republic of Korea south of the 38th parallel. The report of these international observers stated that the army of the Republic of Korea was organized entirely for defense.

The observers found the parallel guarded on the south by small bodies of troops in scattered outposts, with roving patrols. They found no concentration of troops and no preparation to attack. The observers concluded that the absence of armor, air support, heavy artillery, and military supplies precluded any offensive action by the forces of the Republic of Korea.

On June 25, within a few hours after the invasion was launched from the north, the commission reported to the United Nations that the attack had come without warning and without provocation.

The reports from the commission make it unmistakably clear that the attack was naked, deliberate, unprovoked aggression, without a shadow of justification.

Outright Breach of Peace

This outright breach of the peace, in violation of the United Nations Charter, created a real and present danger to the security of every nation. This attack was, in addition, a demonstration of contempt for the United Nations, since it was an attempt to settle, by military aggression, a question which the United Nations had been working to settle by peaceful means.

The attack on the Republic of Korea, therefore, was a clear challenge to the basic principles of the United Nations Charter and to the specific actions taken by the United Nations in Korea. If this challenge had not been met squarely, the effectiveness of the United Nations would have been all but ended, and the hope of mankind that the United Nations would develop into an institution of world order would have been shattered.

Prompt action was imperative. The Security Council of the United Nations met, at the request of the United States, in New York at 2 o'clock in the afternoon, Sunday, June 25, Eastern Daylight Time. Since there is a 14-hour difference in time between Korea and New York, this meant that the Council convened just 24 hours after the attack began.

At this meeting, the Security Council passed a resolution which called for the immediate cessation of hostilities and for the withdrawal of the invading troops to the 38th parallel, and which requested the members of the United Nations to refrain from giving aid to the Northern aggressors and to assist in the execution of this resolution. The representative of the Soviet Union to the Security Council stayed away from the meeting, and the Soviet Government has refused to support the Council's resolution.

The attack launched on June 25 moved ahead rapidly. The tactical surprise gained by the aggressors, and their superiority in planes, tanks and artillery, forced the lightly armed defenders to retreat. The speed, the scale, and the coordination of the attack left no doubt that it had been plotted long in advance.

When the attack came, our Ambassador to Korea, John J. Muccio, began the immediate evacuation of American women and children from the danger zone. To protect this evacuation, air cover and sea cover were provided by the commander in chief of United States forces in the Far East, General of the Army Douglas MacArthur.

In response to urgent appeals from the Government of Korea, Gen. MacArthur was immediately authorized to send supplies of ammunition to the Korean defenders. These supplies were sent by air transport, with fighter protection. The United States Seventh Fleet was ordered north from the Philippines, so that it might be available in the area in case of need.

Throughout Monday, June 26, the invaders continued their attack with no heed to the resolution of the Security Council of the United Nations. Accordingly, in order to support the resolution and on the unanimous advice of our civil and military authorities, I ordered United States air and sea forces to give the Korean Government troops cover and support.

On Tuesday, June 27, when the United Nations Commission in Korea had reported that the Northern troops had neither ceased hostilities nor withdrawn to the 38th parallel, the United Nations Security Council met again and passed a second resolution recommending that members of the United Nations furnish to the Republic of Korea such aid as might be necessary to repel the attack and to restore international peace and security in the area.

The representative of the Soviet Union to the Security Council stayed away from this meeting also, and the Soviet Government has refused to support Council's resolution.

Action of United States Applauded

The vigorous and unhesitating actions of the United Nations and the United States in the face of this aggression met with an immediate and overwhelming response throughout the free world. The first blow of aggression had brought dismay and anxiety to the hearts of men the world over. The fateful events of the 1930s, when aggression unopposed bred more aggression and eventually war, were fresh in our memory.

But the free nations had learned the lesson of history. Their determined and united actions unlifted the spirit of free men everywhere. As a result, where there had been dismay there is hope; where there had been anxiety there is firm determination.

Fifty-two of the 59 member nations have supported the United Nations action to restore peace in Korea.

A number of member nations have offered military support or other types of assistance for the United Nations' actions to repel the aggressors in Korea. In a third resolution, passed on July 7 the Security Council requested the United States to designate a commander for all the forces of the members of the United Nations in the Korean operation, and authorized these forces to fly the United Nations flag.

In response to this resolution Gen. MacArthur has been designated as commander of these forces. These are important steps forward in the development of a United Nations system of collective security.

Already aircraft of two nations, Australia and Great Britain, and naval vessels of five nations, Australia, Canada, Great Britain, The Netherlands and New Zealand, have been made available for operations in the Korean area, along with forces of Korea and the United States, under Gen. MacArthur's command.

The other offers of assistance that have been and will continue to be made will be coordinated by the United Nations and by the unified command, in order to support the effort in Korea to maximum advantage.

All the members of the United Nations who have indorsed the action of the Security Council realize the significance of the step that has been taken. This united and resolute action to put down lawless aggression is a milestone toward the establishment of a rule of law among nations.

Only a few countries have failed to support the common action to restore the peace. The most important of these is the Soviet Union.

Since the Soviet representative had refused to participate in the meetings of the Security Council which took action regarding Korea, the United States brought the matter directly to the attention of the Soviet Government in Moscow. On June 27, we requested the Soviet Government, in view of its known close relations with the North Korean regime, to use its influence to have the invaders withdraw at once.

The Soviet Government, in its reply on June 29 and in subsequent statements, has taken the position that the attack launched by the North Korean forces was provoked by the Republic of Korea, and that the actions of the United Nations Security Council were illegal.

These Soviet claims are flatly disproved by the facts.

The attitude of the Soviet Government toward the aggression against the Republic of Korea, is in direct contradiction to its often expressed intention to work with other nations to achieve peace in the world.

For our part, we shall continue to support the United Nations action to restore peace in the Korean area.

As the situation has developed, I have authorized a number of measures to be taken. Within the first week of the fighting, Gen MacArthur reported, after a visit to the front, that the forces from North Korea were continuing to drive south, and further support to the Republic of Korea was needed.

Accordingly, Gen. MacArthur was authorized to use United States Army tanks in Korea, and to use United States aircraft of the Air Force and the Navy to conduct missions against specific military targets in Korea north of the 38th parallel, where necessary to carry out the United Nations resolution. Gen. MacArthur was also directed to blockade the Korean coast.

The attacking forces from the north have continued to move forward, although their advance has been slowed down. The troops of the Republic of Korea, though initially overwhelmed by the

tanks and artillery of the surprise attack by the invaders, have been reorganized and are fighting bravely.

United States forces, as they have arrived in the area, have fought with great valor. The Army troops have been conducting a very difficult delaying operation with skill and determination, outnumbered many times over by attacking troops, spearheaded by tanks.

Despite the bad weather of the rainy season, our troops have been valiantly supported by the air and naval forces of both the United States and other members of the United Nations.

In this connection, I think it is important that the nature of our military action in Korea be understood. It should be made perfectly clear that the action was undertaken as a matter of basic moral principle.

The United States was going to the aid of a nation established and supported by the United Nations and unjustifiably attacked by an aggressor force. Consequently, we were not deterred by the relative immediate superiority of the attacking forces, by the fact that our base of supplies was 5,000 miles away, or by the further fact that we would have to supply our forces through port facilities that are far from satisfactory.

We are moving as rapidly as possible to bring to bear on the fighting front larger forces and heavier equipment, and to increase our naval and air superiority. But it will take time, men, and material to slow down the forces of aggression, bring those forces to a halt, and throw them back.

Nevertheless, our assistance to the Republic of Korea has prevented the invaders from crushing that nation in a few days—as they had evidently expected to do. We are determined to support the United Nations in its effort to restore peace and security to Korea, and its effort to assure the people of Korea an opportunity to choose their own form of government free from coercion, as expressed in the General Assembly resolutions of Nov. 14, 1947 and Dec. 12, 1948.

In addition to the direct military effort we and other members of the United Nations are making in Korea, the outbreak of aggression there requires us to consider its implications for peace throughout the world. The attack upon the Republic of Korea makes it plain beyond all doubt that the international Communist movement is prepared to use armed invasion to conquer independent nations.

We must therefore recognize the possibility that armed aggression may take place in other areas.

In view of this, I have already directed that United States forces in support of the Philippines be strengthened, and that military assistance be speeded up to the Philippine Government and to the associated states of Indo-China and to the forces of France in Indo-China. I have also ordered the United States Seventh Fleet to prevent any attack upon Formosa, and I have requested the Chinese Government on Formosa to cease all air and sea operations against the mainland. These steps were at once reported to the United Nations Security Council.

Our action in regard to Formosa was a matter of elementary security. The peace and stability of the Pacific area had been violently disturbed by the attack on Korea.

Attacks elsewhere in the Pacific area would have enlarged the Korean crisis, thereby rendering much more difficult the carrying out of our obligations to the United Nations in Korea.

In order that there may be no doubt in any quarter about our intentions regarding Formosa, I wish to state that the United States has no territorial ambitions whatever concerning that island; nor do we seek for ourselves any special position or privilege on Formosa. The present military neutralization of Formosa is without prejudice to political questions affecting that island.

Our desire is that Formosa not become embroiled in hostilities disturbing to the peace of the Pacific and that all questions affecting Formosa be settled by peaceful means as envisaged in the Charter of the United Nations. With peace re-established, even the most complex political questions are susceptible of solution.

Strengthening Free Nations

In the presence of brutal and unprovoked aggression, however, some of these questions may have to be held in abeyance in the interest of the essential security of all.

The outbreak of aggression in the Far East does not, of course, lessen, but instead increases, the importance of the common strength of the free nations in other parts of the world. The attack on the Republic of Korea gives added urgency to the efforts of the free nations to increase and to unify their common strength, in order to deter a potential aggressor.

To be able to accomplish this objective, the free nations must maintain a sufficient defensive military strength in being, and, even more important, a solid basis of economic strength, capable of rapid mobilization in the event of emergency.

The strong cooperative efforts that have been made by the United States and other free nations, since the end of World War II, to restore economic vitality to Europe and other parts of the world, and the co-operative efforts we have begun in order to increase the productive capacity of underdeveloped areas, are extremely important contributions to the growing economic strength of all the free nations, and will be of even greater importance in the future.

We have been increasing our common defensive strength under the Treaty of Rio de Janeiro and the North Atlantic Treaty, which are collective security arrangements within the framework of the United Nations Charter. We have also taken action to bolster the military defenses of individual free nations, such as Greece, Turkey and Iran.

The defenses of the North Atlantic Treaty area were considered a matter of great urgency by the North Atlantic Council in London this Spring. Recent events make it even more urgent than it was at that time to build and maintain these defenses.

Under all the circumstances, it is apparent that the United States is required to increase its military strength and preparedness not only to deal with the aggression in Korea, but also to increase our common defense, with other free nations, against further aggression.

The increased strength which is needed falls into three categories:

Additional Military Requirements

In the first place, to meet the situation in Korea, we shall need to send additional men, equipment and supplies to General MacArthur's command as rapidly as possible.

In the second place, the world situation requires that we increase substantially the size and materiel support of our armed forces, over and above the increases which are needed in Korea.

In the third place, we must assist the free nations associated with us in common defense to augment their military strength.

Of the three categories I have just enumerated, the first two involve increases in our own military manpower and in the material support that our men must have.

To meet the increased requirements for military manpower, I have authorized the Secretary of Defense to exceed the budgeted strength of military personnel for the Army, Navy and Air Force, and to use the Selective Service System to such extent as may be required in order to obtain the increased strength which we must have.

I have also authorized the Secretary of Defense to meet the need for military manpower by calling into active Federal service as many National Guard units and as many units and individuals of the reserve forces of the Army, Navy and Air Forces as may be required.

I have directed the Secretary of Defense and the Joint Chiefs of Staff to keep our military manpower needs under constant study, in order that further increases may be made as required. There are now statutory limits on the sizes of the armed forces, and since we may need to exceed these limits, I recommend that they be removed.

To increase the level of our military strength will also require additional supplies and equipment. Procurement of many items has already been accelerated, in some cases for use in Korea, in others to replace reserve stocks which are now being sent to Korea, and in still others to add to our general level of preparedness.

Further increases in procurement, resulting in a higher rate of production of military equipment and supplies, will be necessary.

$10 Billion of Additional Taxes

The increases in the size of the armed forces and the additional supplies and equipment which will be needed, will require additional appropriations. Within the next few days I will transmit to the Congress specific requests for appropriations in the amount of approximately $10 billion.

These requests for appropriations will be addressed to the needs of our own military forces. Earlier I referred to the fact that we must also assist other free nations in the strengthening of our common defenses. The action we take to accomplish this is just as important as the measures required to strengthen our own forces.

The authorization bill for the mutual defense assistance program for 1951, now before the House of Representatives, is an important immediate step toward the strengthening of our collective security. It should be enacted without delay.

But it is now clear that the free nations of the world must step up their common security program. The other nations associated with us in the mutual defense assistance program, like ourselves, will need to divert additional economic resources to defense purposes.

In order to enable the nations associated with us to make their maximum contribution to our common defense, further assistance on our part will be required. Additional assistance may also be needed to increase the strength of certain other free nations whose security is vital to our own.

In the case of the North Atlantic area, these requirements will reflect the consultations now going on with the other nations associated with us in the North Atlantic Treaty. As soon as it is possible to determine what each nation will need to do, I shall lay before the Congress a request for such funds as are shown to be necessary to the attainment and maintenance of our common strength at an adequate level.

The Effect on Our Domestic Economy

The steps which we must take to support the United Nations action in Korea, and to increase our own strength and the common defense of the free world, will necessarily have repercussions upon our domestic economy.

Many of our young men are in battle now, or soon will be. Others must be trained. The equipment and supplies they need, and those required for adequate emergency reserves, must be produced. They must be made available promptly, at reasonable cost, and without disrupting the efficient functioning of the economy.

We must continue to recognize that our strength is not to be measured in military terms alone. Our power to join in a common defense of peace rests fundamentally on the productive capacity and energies of our people. In all that we do, therefore, we must make sure that the economic strength which is at the base of our security is not impaired, but continues to grow.

Our economy has tremendous productive power. Our total output of goods and services is now running at an annual rate of nearly $270,000,000,000 — over $100,000,000,000 higher than in 1939. The rate is now about $13,000,000,000 higher than a year ago, and about $8,000,000,000 higher than the previous record rate reached in 1948.

All the foregoing figures have been adjusted for price changes and are therefore a measure of actual output. The index of industrial production, now at 197, is 12% higher than the average for last year, and 81% higher than in 1939.

We now have 61,500,000 people in civilian employment. There are 16,000,000 more people in productive jobs than there were in 1939. We are now producing 11,000,000 more tons of steel a year than in the peak war year 1944.

Electric power output has risen from 128,000,000,000 kilowatt hours in 1939 to 228,000,000,000 hours in 1944, to 317,000,000,000 hours now. Food production is about a third higher than it ever was before the war, and is practically as high as it was during the war years, when we were sending far more food abroad than we are now.

The potential productive power of our economy is even greater. We can achieve some immediate increase in production by employing men and facilities not now fully utilized. And we can continue to increase our total annual output each year, by putting to use the increasing skills of our growing population and the higher productive capacity which results from plant expansion, new inventions and more efficient methods of production.

With this enormous economic strength, the new and necessary programs I am now recommending can be undertaken with confidence in the ability of our econ-

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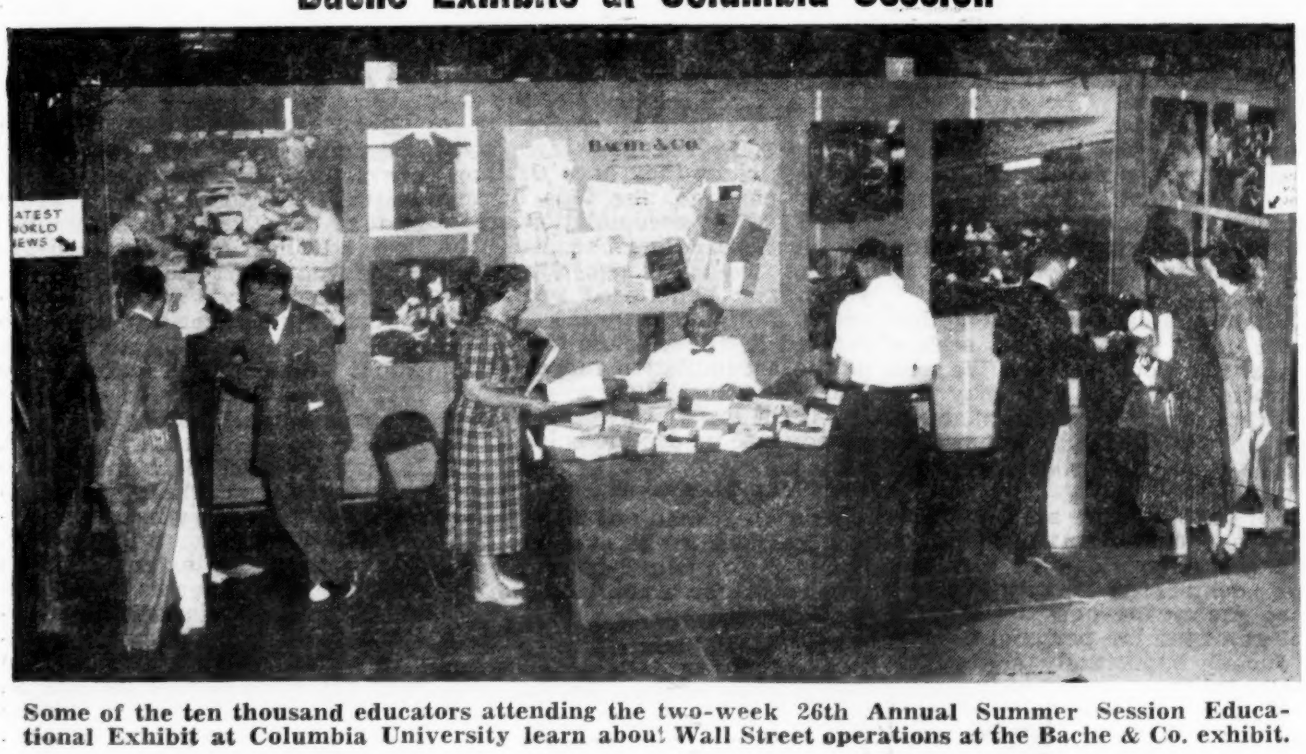
Bache Exhibits at Columbia Session



Some of the ten thousand educators attending the two-week 26th Annual Summer Session Educational Exhibit at Columbia University learn about Wall Street operations at the Bache & Co. exhibit.

A New York Stock Exchange ticker and a business news ticker in operation are helping to carry the story of a brokerage house in action to 10,000 educators at Columbia University's 26th annual summer session educational exhibit. Bache & Co., members of the New York Stock Exchange, have set up an exhibit in the Main Gymnasium of University Hall to educate the educators in brokerage operations. It is believed this is the first time that live tickers have been used in an exhibit of this nature.

The exhibit is part of a campaign to explain the operations of Wall Street to the general public. Representatives of Bache & Co. will be on hand at all times during the two-week run of the exhibit to debunk the so-called mysteries of the securities industry. Charts, diagrams and photographs will be utilized to show yields of securities and explain how they are purchased and sold.

The Summer Session Educational Exhibit is held annually by Columbia University to show the latest educational methods and techniques to educators. About 10,000 teachers from all parts of the United States and many foreign countries are expected to attend this session which will continue through July 28th.

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Truman Asks War Powers

omy to bear the strains involved. Nevertheless, the magnitude of the demands for military purposes that are now foreseeable, in an economy which is already operating at a very high level, will require substantial redirection of economic resources.

Under the program for increasing military strength which I have outlined above, military and related procurement will need to be expanded at a more rapid rate than total production can be expanded. Some materials were in short supply even before the Korean situation developed.

The steel industry, for example, was operating at capacity levels, and even so was not able to satisfy all market demands. Some other construction materials, and certain other products, were also under pressure and their prices were rising—even before the outbreak in Korea.

Must Repress Inflation Threat

The substantial speedup of military procurement will intensify these shortages. Action must be taken to insure that these shortages do not interfere with or delay the materials and the supplies needed for the national defense.

Further, the dollars spent now for military purposes will have a magnified effect upon the economy as a whole, since they will be added to the high level of current civilian demand. These increased pressures, if neglected, could drive us into a general inflationary situation.

The best evidence of this is the recent price advances in many raw materials and in the cost of living, even upon the mere expectancy of increased military outlays.

In these circumstances, we must take action to insure that the increased national defense needs will be met, and that in the process we do not bring on an inflation, with its resulting hardship for every family.

At the same time, we must recognize that it will be necessary for a number of years to support continuing defense expenditures, including assistance to other nations, at a higher level than we had previously planned. Therefore, the economic measures we take now must be planned and used in such a manner as to develop and maintain our economic strength for the long run as well as the short run.

I am recommending certain legislative meaures to help achieve these objectives. I believe that each of them should be promptly enacted. We must be sure to take the steps that are necessary now, or we shall surely be required to take much more drastic steps later on.

First, we should adopt such direct measures as are now necessary to assure prompt and adequate supplies of goods for military and essential civilian use.

I therefore recommend that the Congress now enact legislation authorizing the government to establish priorities and allocate materials as necessary to promote the national security; to limit the use of materials for nonessential purposes; to prevent inventory hoarding and to requisition supplies and materials needed for the national defense, particularly excessive and unnecessary inventories.

Second, we must promptly adopt some general measures to compensate for the growth of demand caused by the expansion of military programs in a period of high civilian incomes. I am directing all executive agencies to conduct a detailed review of government programs, for the purpose of modifying them wherever practicable to lessen the demand upon services, commodities, raw materials, manpower and facilities which are in competition with those needed for national defense.

The government, as well as the public, must exercise great restraint in the use of those goods and services which are needed for our increased defense efforts.

Nevertheless, the increased appropriations for the Department of Defense, plus the defense-related appropriations which I have recently submitted for power development and atomic energy, and others which will be necessary for such purposes as stockpiling, will mean sharply increased Federal expenditures.

For this reason, we should increase Federal revenues more sharply than I have previously recommended, in order to reduce the inflationary effect of the government deficit.

There are two fundamental principles which must guide us in framing measures to obtain these additional revenues:

Heavier Taxes Recommended

(a) We must make every effort to finance the greatest possible amount of needed expenditures by taxation. The increase of taxes is our magic weapon in offsetting the inflationary pressures exerted by enlarged government expenditures. Heavier taxes will make general controls less necessary.

(b) We must provide for a balanced system of taxation which makes a fair distribution of the tax burden among the different groups of individuals and business concerns in the nation. A balanced tax program should also have as a major aim the elimination of profiteering.

At an appropriate time, as soon as the necessary studies are completed, I shall present to the Congress a program based on these principles to assure the financing of our needs in a manner which will be fair to all our citizens, which will help prevent inflation, and which will maintain the fiscal position of the nation in the soundest possible condition.

As a further important safeguard against inflation, we shall need to restrain credit expansion. I recommend that the Congress now authorize the control of consumer credit and credit used for commodity speculation.

In the housing field, where government credit is an important factor, I have directed that certain available credit restraints be applied, and I recommend that further controls be authorized, particularly to restrain expansion of privately financed real estate credit.

These actions will not only reduce the upward pressure on prices, but will also reduce the demand for certain critical materials which are required for the production of military equipment.

Third, we must take steps to accelerate and increase the production of essential materials, products and services. I recommend, therefore, that the Congress authorize, for national defense purposes, production loan guarantees and loans to increase production.

I also recommend that the Congress authorize the making of long-term contracts and other means to encourage the production of certain materials in short supply.

In the forthcoming midyear economic report, I shall discuss in greater detail the current economic situation, and the economic measures which I have recommended. If these measures are made available promptly, and firmly administered, I believe we will be able to meet military needs without serious disruption of the economy.

If we are to be successful, there must be sensible and restrained action by businessmen, labor, farmers and consumers. The people of this country know the seriousness of inflation, and will, I am sure, do everything they can to see that it does not come upon us.

However, if a sharp rise in prices should make it necessary, I shall not hesitate to recommend the more drastic measures of price control and rationing.

A Hard Fight Ahead

The hard facts of the present situation require relentless determination and firm action. The course of the fighting thus far in Korea shows that we can expect no easy solution to the conflict there.

We are confronted in Korea with well-supplied, well-led forces which have been long trained for aggressive action. We and the other members of the United Nations who have joined in the effort to restore peace in Korea must expect a hard and costly military operation.

We must also prepare ourselves better to fulfill our responsibilities toward the preservation of international peace and security against possible further aggression. In this effort, we will not flinch in the face of danger or difficulty.

The free world has made it clear, through the United Nations, that lawless aggression will be met with force. This is the significance of Korea—and it is a significance whose importance cannot be overestimated.

I shall not attempt to predict the course of events. But I am sure that those who have it in their power to unleash or withhold acts of armed aggression must realize that new recourse to aggression in the world today might well strain to the breaking point the fabric of world peace.

The United States can be proud of the part it has played in the United Nations action in this crisis. We can be proud of the unhesitating support of the American people for the resolute actions taken to halt the aggression in Korea and to support the cause of world peace.

The Congress of the United States, by its strong, bipartisan support of the steps we are takng and by repeated actions in support of international cooperation, has contributed most vitally to the cause of peace. The expressions of support which have been forthcoming from the leaders of both political parties for the actions of our government and of the United Nations in dealing with the present crisis, have buttressed the firm morale of the entire free world in the face of this challenge.

The American people, together with other free peoples, seek a new era in world affairs. We seek a world where all men may live in peace and freedom, with steadily improving living conditions, under governments of their own free choice.

For ourselves, we seek no territory or domination over others. We are determined to maintain our democratic institutions so that Americans now and in the future can enjoy personal liberty, economic opportunity and political equality.

We are concerned with advancing our prosperity and our well-being as a nation, but we know that our future is inseparably joined with the future of other free peoples.

We will follow the course we have chosen with courage and with faith, because we carry in our hearts the flame of freedom. We are fighting for liberty and for peace—and with God's blessing we shall succeed.

HARRY S. TRUMAN.

The White House,
July 19, 1950.

Continued from page 4

The Stock Market's Technical Outlook

will advance while others consolidate or decline. It should be an excellent trading market.

On the downside, the market is near the top of the broad 195-160 accumulation range in which a tremendous turnover of stock took place over a three-year period. The 195-185 top area should furnish strong support. There is similar support at 37-36 in the utility average. The rails have a different pattern as they have not broken out on the upside of the 1946-49 range. However, there is support at 50-46.

Individual issues show similar patterns. Many issues are at or near support points — or have reached, or nearly reached downside objectives. My trend gauges are sharply oversold. The minor trend gauge reached the sharpest oversold condition since 1946, and has since given a minor buy signal. This is only for trading purposes and has not been confirmed by the more important intermediate trend gauge, which is also sharply oversold, but has not yet given a buy signal. Such a signal could be given within the next two weeks. It would appear that, barring some catastrophic happening, we are near the low.

On the upside, indications are that new leadership is in order. There were signs of this even before Korea. Roughly, the technical patterns of individual issues and groups can be divided into three categories. Actually, there are four—but the last classification consists of issues that have indeterminate or incomplete patterns. In most cases, there are relatively unimportant issues, and we can forget about them.

Classification of Issues

The first classification is the high grade, blue chip issues that have led the advance and have, in most cases, sharply penetrated the 1946 highs, to attain new high territory. Many of these issues reached their indicated upside objective. They include the chemicals, the natural gas issues, the finance companies, the televisions, the utilities, the drugs and some of the motors. In most cases they are growth issues. These stocks have suffered the brunt of the decline. They have all reached new lows within the past few days. In most cases they have declined to, or close to, the tops of the broad 1946-49 accumulation areas. To illustrate, Allied Chemical held in the 160-200 range for three years, and penetrated upside to reach a high above 250. It has reacted to a level close to the top of the accumulation range. These issues are most likely at—or close to—their lows. However, before an advance or decline is indicated new patterns must be built up. This may take considerable time.

As a great many of these issues are included in the averages, this is one reason why I expect a narrow range for a considerable period of time.

The second classification is a little harder to define, and hasn't the regular pattern of the first group. It includes issues and groups that, in cost cases, have not passed either the 1946 or 1948 highs and in some cases, reached new lows in June, 1949. In the main, these groups have worked into upside resistance and have possibilities of forming head and shoulder bottom patterns. In this group are included rails, steels, mining and smelting, oils, rubber, paper, and in some cases, farm implements and machinery.

The third classification consists of the issues and groups that have formed wide accumulation bases over the past four years and have not yet broken out on the upside of such potential bases. If they have broken out, the have not gone very far on the upside. They are the laggards of the past year. They include airlines, textiles, sugars, shipping, liquors, retail stores, mail order, movies and some aircrafts, machine tools, auto trucks, meat packing, railroad equipments and other groups.

Best Trading Buys

A great many issues in this second and third classification managed to hold above their June 26 and June 27 lows during the selloff of the past few days—regardless of the fact that the Industrial Average has reacted 11 points below the late June low of 206. These issues are most likely the most interesting trading buys. Their action has been above average—and not much loss would be taken if they were stopped out below their June lows. Issues that have thus far held above late June lows are mainly in the following groups: rails, steel, metals, airlines, aircraft manufacturers, textiles, sugar, shipping and shipbuilding, oils, rubbers, coal, auto trucks, meat packing and machinery.

Favorite Groups

Was the June 12 high of 229.20 a bull market top? It could be. But if it was, it is the smallest bull market, as far as percentage appreciation is concerned, in the past 35 years. Also, particularly after a decline on unexpected news without the formation of a prior distributional top, the market usually rallies back to, or close to, the former top. On such a rally, the pattern can be better appreciated and appraised. So far the market has held within the confines of an intermediate correction of one-third to two-thirds of the previous move. A one-half correction would be approximately 195, and two-thirds would be approximately 185. I would buy stocks on present weakness. My favorite groups at the moment are airlines, oils, rails, steels and textiles.

1929 Highs to Be Exceeded by 1952

Before I finish, I'll anticipate a question. Do I still believe in my letter of September, 1948? Unqualifiedly, yes I do. I wrote at that time that I believed the first advance from the 160-195 range would carry to roughly 240-250, followed by a decline or consolidating phase for a year or two—and then eventually the market would reach a level above the 1929 highs. Nothing to date has happened to alter my opinion. The 240-250 level has been approached. It may be reached or maybe we are now in the declining and consolidating phase in which the market may remain for a long while. The timing and extent depends on new developments, but both the growth and inflationary elements in our economic pattern indicate that starting sometime in 1952 the market will initiate an advance that will carry above the 1929 highs in the period between 1956-1960.

James Davis & Jane Stokes Represent King Merritt

DALLAS, Tex.—Jane H. Stokes and James W. Davis have become associated with King Merritt & Co., Inc., which will shortly open a new branch office in Dallas. Both Miss Stokes and Mr. Davis were formerly associated with Hatcher and Co., Inc.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	July 23	99.4	96.0	101.2	78.3
Equivalent to—					
Steel ingots and castings (net tons)	July 23	1,894,800	1,830,000	1,929,100	1,443,500
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output — daily average (bbls. of 42 gallons each)	July 8	5,475,500	5,435,350	5,305,450	4,721,600
Crude runs to stills — daily average (bbls.)	July 8	†5,912,000	5,854,000	5,524,000	5,201,000
Gasoline output (bbls.)	July 8	20,059,000	19,497,000	19,029,000	18,559,000
Kerosene output (bbls.)	July 8	1,752,000	2,169,000	1,916,000	1,586,000
Gas, oil, and distillate fuel oil output (bbls.)	July 8	7,353,000	7,582,000	6,961,000	5,768,000
Residual fuel oil output (bbls.)	July 8	7,916,000	7,841,000	7,307,000	7,879,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	July 8	114,278,000	114,139,000	119,249,000	113,763,000
Kerosene (bbls.) at	July 8	22,035,000	21,229,000	18,499,000	24,055,000
Gas, oil, and distillate fuel oil (bbls.) at	July 8	56,568,000	53,335,000	45,230,000	66,620,000
Residual fuel oil (bbls.) at	July 8	41,874,000	40,542,000	39,192,000	67,136,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	July 8	553,876	783,357	795,852	595,321
Revenue freight received from connections (number of cars)	July 8	540,985	646,256	637,154	455,432
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	July 13	$364,963,000	$214,379,000	$277,411,000	$190,346,000
Private construction	July 13	254,053,000	107,171,000	180,447,000	61,468,000
Public construction	July 13	110,910,000	107,208,000	96,964,000	128,878,000
State and municipal	July 13	68,385,000	77,886,000	75,547,000	87,408,000
Federal	July 13	42,525,000	29,322,000	21,417,000	41,470,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	July 8	1,500,000	*10,250,000	10,605,000	4,913,000
Pennsylvania anthracite (tons)	July 8	48,000	1,125,000	863,000	848,000
Beehive coke (tons)	July 8	97,200	*133,700	137,600	15,800
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	July 8	216	*263	302	201
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	July 15	6,006,345	5,379,924	6,011,674	5,342,107
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET INC.	July 13	187	138	178	167
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	July 11	3.837c	3.837c	3.837c	3.705c
Pig iron (per gross ton)	July 11	$46.38	$46.38	$46.38	$45.91
Scrap steel (per gross ton)	July 11	$37.08	$37.67	$39.58	$19.33
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	July 12	22.200c	22.200c	22.200c	17.325c
Export refinery at	July 12	22.425c	22.425c	22.425c	17.550c
Straits tin (New York) at	July 12	86.750c	79.750c	77.750c	103.000c
Lead (New York) at	July 12	11.500c	11.000c	12.000c	13.560c
Lead (St. Louis) at	July 12	11.300c	10.800c	11.800c	13.350c
Zinc (East St. Louis) at	July 12	15.000c	15.000c	14.825c	9.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	July 18	102.10	102.10	102.32	103.43
Average corporate	July 18	114.85	114.85	115.63	113.70
Aaa	July 18	119.82	119.82	120.63	119.62
Aa	July 18	118.60	118.40	119.20	118.20
A	July 18	114.66	114.66	115.24	112.56
Baa	July 18	106.92	107.27	108.16	105.00
Railroad Group	July 18	109.06	109.24	110.52	107.80
Public Utilities Group	July 18	116.41	116.22	116.80	115.24
Industrials Group	July 18	119.20	119.41	120.02	118.20
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	July 18	2.34	2.34	2.33	2.25
Average corporate	July 18	2.91	2.91	2.87	2.97
Aaa	July 18	2.66	2.66	2.62	2.66
Aa	July 18	2.72	2.73	2.69	2.74
A	July 18	2.93	2.92	2.89	3.03
Baa	July 18	3.34	3.32	3.27	3.45
Railroad Group	July 18	3.22	3.21	3.14	3.29
Public Utilities Group	July 18	2.83	2.84	2.81	2.89
Industrials Group	July 18	2.69	2.68	2.65	2.74
MOODY'S COMMODITY INDEX	July 18	434.0	427.8	394.3	342.8
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	July 8	226,087	220,204	220,548	161,576
Production (tons)	July 8	129,356	211,058	214,497	153,817
Percentage of activity	July 8	55	94	94	75
Unfilled orders (tons) at	July 8	491,744	394,110	400,731	243,297
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE=100	July 14	121.6	121.0	120.3	128.0
STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE—SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—					
Number of orders	July 1	51,541	24,425	19,784	13,389
Number of shares—Customers' total sales	July 1	1,543,106	766,220	606,152	384,489
Dollar value	July 1	$67,599,778	$33,621,684	$26,356,196	$14,072,542
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	July 1	45,843	28,444	22,044	12,974
Customers' short sales	July 1	293	131	203	154
Customers' other sales	July 1	45,550	28,313	21,841	12,820
Number of shares—Customers' total sales	July 1	1,434,872	798,010	611,770	352,153
Customers' short sales	July 1	11,359	5,804	7,730	6,600
Customers' other sales	July 1	1,423,513	792,206	604,040	345,553
Dollar value	July 1	$59,792,806	$30,963,978	$24,267,510	$11,265,509
Round-lot sales by dealers—					
Number of shares—Total sales	July 1	422,380	268,280	175,300	123,730
Short sales	July 1	------	------	------	------
Other sales	July 1	422,380	268,280	175,300	123,730
Round-lot purchases by dealers—					
Number of shares	July 1	470,700	237,980	190,010	162,630
WHOLESALE PRICES NEW SERIES — U. S. DEPT. OF LABOR—1926=100:					
All commodities	July 11	161.8	159.0	155.7	154.0
Farm products	July 11	176.3	171.3	164.5	167.7
Grains	July 11	173.1	173.8	168.7	156.5
Livestock	July 11	243.7	237.1	222.5	208.8
Foods	July 1	171.9	165.2	161.0	162.6
Meats	July 11	265.1	246.6	239.2	228.0
All commodities other than farm and foods	July 11	149.7	149.0	148.3	145.1
Textile products	July 11	138.7	137.4	135.8	137.9
Fuel and lighting materials	July 11	133.2	133.4	133.0	130.1
Metals and metal products	July 11	173.1	173.0	173.2	167.6
Building materials	July 11	202.6	202.1	200.7	188.6
Chemicals and allied products	July 11	115.7	114.9	114.1	117.6

*Revised figure. †Includes 499,000 barrels of foreign crude runs.

	Latest Month	Previous Month	Year Ago
AMERICAN GAS ASSOCIATION — For Month of May:			
Total gas (M therms)	3,334,277	3,833,277	2,721,12[illegible]
Natural gas sales (M therms)	3,033,599	3,487,520	2,444,18[illegible]
Manufactured gas sales (M therms)	182,584	219,488	176,40[illegible]
Mixed gas sales (M therms)	118,094	126,269	100,525
AMERICAN IRON AND STEEL INSTITUTE:			
Steel ingots and steel for castings produced (net tons)—Month of June	8,130,929	*8,551,887	*6,504,656
Shipments of steel products, including alloy and stainless (net tons)—Month of May	6,252,672	5,780,453	5,234,862
AMERICAN ZINC INSTITUTE, INC.—Month of June:			
Slab zinc smelter output, all grades (tons of 2,000 lbs.)	75,766	79,645	73,989
Shipments (tons of 2,000 lbs.)	90,920	90,346	66,900
Stocks at end of period (tons)	26,665	41,819	82,919
Unfilled orders at end of period (tons)	63,701	66,430	42,705
COPPER INSTITUTE—For month of June:			
Copper production in U. S. A.—			
Crude (tons of 2,000 lbs.)	96,334	*83,262	71,606
Refined (tons of 2,000 lbs.)	113,961	112,388	92,118
Deliveries to customers—			
In U. S. A. (tons of 2,000 lbs.)	126,047	113,837	45,653
Refined copper stocks at end of period (tons of 2,000 lbs.)	50,327	51,020	166,925
COMMERCIAL PAPER OUTSTANDING—FEDERAL RESERVE BANK OF NEW YORK— As of June 30 (000's omitted)	$240,000	$250,000	$199,000
CROP PRODUCTION — CROP REPORTING BOARD U. S. DEPARTMENT OF AGRICULTURE — As of July 1 (in thousands)			
Corn, all (bu.)	3,175,602	------	3,377,790
Wheat, all (bu.)	956,586	944,514	1,146,46[illegible]
Winter (bu.)	720,545	710,156	901,66[illegible]
All spring (bu.)	236,041	234,358	244,79[illegible]
Durum (bu.)	30,633	------	38,86[illegible]
Other spring (bu.)	205,408	------	205,9[illegible]
Oats (bu.)	1,394,772	1,380,032	1,322,9[illegible]
Barley (bu.)	264,726	278,536	238,104
Rye (bu.)	21,891	22,446	18,6[illegible]
Flaxseed (bu.)	29,338	------	43,66[illegible]
Rice, 100 lb. bag	35,201	------	40,11[illegible]
Hay, all (ton)	103,498	------	99,30[illegible]
Hay, wild (ton)	12,165	------	12,29[illegible]
Hay, alfalfa (ton)	39,376	------	38,54[illegible]
Hay, clover and timothy (ton)	28,580	------	24,657
Hay, lespedeza (ton)	7,657	------	8,571
Beans, dry edible (100 lb. bag)	17,186	------	21,554
Peas, dry field (100 lb. bag)	2,817	------	3,267
Potatoes (bu.)	390,431	------	401,962
Sweetpotatoes (bu.)	57,892	------	54,232
Tobacco (lb.)	1,932,146	------	1,970,376
Sugarcane for sugar & seed (ton)	7,597	------	6,796
Sugar beets (ton)	12,526	------	10,197
Hops (lb.)	56,112	------	50,730
Apples, commercial crop (bu.)	119,180	------	133,742
Peaches (bu.)	55,512	56,151	74,818
Pears (bu.)	28,488	27,914	36,404
Grapes (ton)	2,748	------	2,662
Cherries (12 States) (ton)	225	219	250
Apricots (3 States (ton)	203	208	198
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE — U. S. DEPT. OF LABOR—Month of May:			
Earnings—			
All manufacturing	$57.50	*$56.93	$52.86
Durable goods	61.44	*61.12	56.82
Nondurable goods	52.90	*52.17	49.00
Hours—			
All manufacturing	39.9	39.7	38.6
Durable goods	40.8	40.8	39.0
Nondurable goods	38.9	38.5	38.1
Hourly earnings—			
All manufacturing	$1.441	*$1.434	$1.379
Durable goods	1.506	*1.498	1.457
Nondurable goods	1.360	*1.355	1.286
FREIGHT CAR OUTPUT—DOMESTIC (AMERICAN RAILWAY CAR INSTITUTE)—Month of June:			
Deliveries (number of cars)	3,874	2,193	9,121
Backlog of orders at end of month (number of cars)	40,585	42,300	42,819
METAL OUTPUT (BUREAU OF MINES) — Month of May):			
Mine production of recoverable metals in the United States:			
Copper (in short tons)	74,617	*73,351	†62,729
Gold (in fine ounces)	192,743	*184,504	†165,982
Lead (in short tons)	37,780	*35,612	†34,159
Silver in fine ounces)	3,573,256	*3,554,456	†2,889,579
Zinc (in short tons)	51,576	*49,113	†49,433
NEW CAPITAL ISSUES IN GREAT BRITAIN—MIDLAND BANK, LTD.—Month of June	£5,931,000	£160,476,000	£12,351,000
NEW YORK STOCK EXCHANGE—As of June 30 (000's omitted):			
Member firms carrying margin accounts—			
Total of customers' net debit balances	$1,255,660	$1,175,076	$682,409
Credit extended to customers	75,328	64,044	80,192
Cash on hand and in banks in U. S.	312,927	302,949	281,072
Total of customers' free credit balances	676,827	657,163	531,661
Market value of listed shares	80,651,507	85,624,659	63,921,054
Market value of listed bonds	124,632,841	125,252,730	131,685,658
Member borrowings on U. S. Govt. issues	115,752	140,820	164,763
Member borrowings on other collateral	847,163	771,346	531,522
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of June:			
Net sales	------	$1,925,750	$88,353,050
Net purchases	$5,120,750	------	------
U. S. GOVT. STATUTORY DEBT LIMITATION As of June 30 (000's omitted):			
Total face amount that may be outstanding at any one time	$275,000,000	$275,000,000	$275,000,000
Outstanding—			
Total gross public debt	257,357,352	256,350,132	252,770,359
Guaranteed obligations not owned by the Treasury	19,503	20,047	27,275
Total gross public debt and guaranteed obligations	$257,376,855	$256,370,179	$252,797,635
Deduct—Other outstanding public debt obligations not subject to debt limitation	724,721	728,508	769,922
Grand total outstanding	$256,652,133	$255,641,871	$252,027,712
Balance face amount of obligations issuable under above authority	18,347,866	19,358,128	22,972,287

*Revised. †Monthly average 1949.

Securities Now in Registration

• INDICATES ADDITIONS SINCE PREVIOUS ISSUE

• Alberta-Canada Oils, Inc. (Del.), Alberta, Canada
July 18 filed 1,000,000 shares of common stock (par 50 cents). **Price**—$2.50 per share. **Underwriter**—Thomas G. Wylie Co., New York. **Proceeds**—For general funds.

Allied Electric Products, Inc. (7/25)
May 24 filed 160,000 shares of 45 cent cumulative convertible preferred stock (par $6) and 100,000 shares of common stock (par $1), to be offered in units of one preferred share and one-half share of common at $7.50 per share; remaining 20,000 common shares at $4.50 per share. **Underwriter**—Hill, Thompson & Co., New York City. **Proceeds**—To repay bank loans and accounts payable, for machinery, equipment and other corporate purposes. Statement effective June 23.

American Motorists Insurance Co., Chicago
June 28 filed 100,000 shares of capital stock (par $5) to be offered to stockholders of record July 25 at rate of one new share for each three held. **Price**—At par. **Proceeds**—For general corporate purposes. **Business**—Casualty insurance.

American Radio & Television, Inc., North Little Rock, Ark.
June 16 (letter of notification) 301,686 shares of common stock (par 10 cents). **Price**—75 cents per share. **Underwriters**—Gearhart, Kinnard & Otis, New York City. **Proceeds**—For additional working capital. **Office**—Fifth and Cornish Streets, No. Little Rock, Ark.

Ampal-American Palestine Trading Corp.
April 10 filed $3,000,000 of 10-year 3% sinking fund debentures. **Underwriter** — Israel Securities Corp., New York. **Proceeds**—To increase working capital to be used for enterprises in Israel. **Business**—Developing the economic resources of Israel. Statement effective June 30.

Arkansas Power & Light Co.
May 23 filed 155,000 shares of cumulative preferred stock (par $100). **Proceeds**—To be applitd to (a) redemption on Aug. 1, 1950, at $110 per share plus dividend accruals, of all the 47,609 shares of outstanding $7 preferred and 45,891 shares of outstanding $6 preferred; and (b) the carrying forward of the company's construction program. **Bids**—Received by company up to noon (EDT) on June 19, but rejected. Only one bid was made of $100.003 per share, with a $4.95 dividend from Lehman Brothers, Equitable Securities Corp. and White, Weld & Co. (jointly). Statement effective June 12. No further decision reached.

Associated Natural Gas Co., Tulsa, Okla.
March 14 (letter of notification) 2,500 shares of common stock at $100 per share. No underwriter. Proceeds to build a natural gas transmission line. **Office**—105 N. Boulder, Tulsa, Okla.

• Avco Manufacturing Corp., N. Y. City
July 14 filed an unspecified number of shares of common stock (par $3) to be offered in exchange for shares of Bendix Home Appliances Inc., at a rate to be filed by amendment. **Underwriter**—None, but Emanuel, Deetjen & Co. and Lehman Brothers will serve as dealers.

• Benson (N. P.) Optical Co.
July 11 (letter of notification) $150,000 of 4% debenture, series D, due 1965. **Underwriter**—None. **Proceeds**—For working capital. **Office**—450 Medical Arts Bldg., Minneapolis, Minn.

Cameron (Wm.) Co.
June 14 filed 179,833 shares of capital stock (par $7), of which 120,833 will be sold to the public and 59,000 offered to employees. Of the total offering, 91,333 shares will be sold by the company and 29,500 by three stockholders. **Underwriter**—Reynolds & Co., New York. **Price**—To public, $19.50 per share; to employees, $16.95 per share. **Proceeds**—To reduce a loan and for general corporate purposes. **Business**—Distributor of building materials. Statement effective July 12. Deal canceled.

Canadian Superior Oil of California, Ltd.
June 27 filed 2,150,000 shares of common stock (par $1). **Price**—To be filed by amendment. **Underwriter**—Dillon, Read & Co. Inc. **Proceeds**—For geological and drilling operations in Canada. Temporarily postponed.

Caspers Tin Plate Co., Chicago, Ill.
June 16 filed 150,000 shares of common stock (par $1), of which 50,000 shares are to be sold by company and 100,000 shares by three stockholders. **Price**—To be filed by amendment. **Underwriters**—F. Eberstadt & Co. Inc. and Shillinglaw, Bolger & Co. **Proceeds**—Proceeds to company, together with term loan of $1,000,000 from finance firm, will be used to pay existing long-term obligations and the balance to be used as working capital. Temporarily postponed.

Citizens Credit Corp., Washington, D. C.
June 2 (letter of notification) 3,000 shares of class A common stock (par $12.50) and 1,000 shares of class B common stock (par 25 cents), to be sold in units of three shares of class A stock and one share of class B stock. **Price**—$44.50 per unit. **Underwriter**—Emory S. Warren & Co., Washington, D. C. **Proceeds**—For general funds. **Office**—1707 Eye St., N. W., Washington, D. C.

Citizens Telephone Co., Decatur, Ind.
April 27 (letter of notification) 3,000 shares of 4½% preferred stock, non-convertible. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—For plant additions and conversion to dial operations. **Office**—240 W. Monroe St., Decatur, Ind.

• City Stores Co.
July 17 filed an unspecified number of shares of common stock (par $5) to be offered in exchange for common stock (par $10) of Oppenheim, Collins & Co., Inc., and for the 4½% convertible preferred stock (par $50) and common stock (par $1) of Franklin Simon & Co., Inc., in ratios to be determined by the directors of City Stores Co. when registration becomes effective. The exchange offer is expected to expire around Sept. 15, 1950. **Underwriter**—W. E. Hutton & Co.

Columbia Gas System, Inc. (8/1)
July 7 filed $90,000,000 of debentures, series B, due 1975. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Proceeds**—To retire on Sept. 9 $45,000,000 of 3¼% debentures due April 1, 1973; $20,000,000 of 3% debentures due March 1, 1974; and $13,000,000 of 3% debentures due Aug. 1, 1974; and the remainder ($12,000,000) for expansion program. **Bids**—Tentatively planned to be received on Aug. 1 but may be postponed until the Fall, depending on market conditions.

• Columbia Gypsum Products, Inc., Bremerton, Wash.
July 8 (letter of notification) 25,000 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—For working capital.

Combustioneering Inc., Cincinnati, Ohio
June 5 filed 30,000 shares of class A capital stock. **Underwriter**—None named as yet. **Price**—$100 a share. **Proceeds**—For offices and equipment, expenses and working capital. **Business**—Research in field of smelting and heating-treating of metals.

• Commonwealth Springfield Drive-In Theatre Corp.
July 10 (letter of notification) $100,000 of debentures and 1,000 shares of common stock (par $1) to be sold in units of one $100 debenture and one share of stock. **Price**—$101 per unit. **Underwriter**—None. **Proceeds**—To reimburse George W. Fuller, Kansas City, Mo., for expenses in completing the Sunset Drive-In Theatre, Springfield, Mo. **Office**—215 W. 18th St., Kansas City, Mo.

Consumers Power Co., Jackson, Mich.
June 23 filed 499,903 shares of common stock (no par) to be offered present holders at the rate of one new share for each 10 held, with an oversubscription privilege. **Underwriter**—To be named in an amendment, along with offering price. Five months ago an offering of 454,457 shares of common stock to common stockholders was underwritten by a group headed by Morgan Stanley & Co. **Price**—Expected to be not less than $33 per share. **Proceeds**—For construction. **Offering**—Postponed.

Cowles Co., Inc., Cayuga, N. Y.
July 10 (letter of notification) 2,644 shares of capital stock (par $5) offered to stockholders of record July 8, with rights expiring on Aug. 15. **Price**—$20 per share. **Underwriter**—None. **Proceeds**—To retire indebtedness, for working capital, etc.

Cribben & Sexton Co., Chicago, Ill.
July 3 (letter of notification) 2,000 shares of common stock (par $5) and 160 shares of preferred stock (par $25). **Price** — $4.50 per share for common and $13 for preferred. **Underwriters**—David A. Noyes & Co. and Swift-Henke Co., Chicago, Ill. **Proceeds** — To a selling stockholder.

Cristina Mines, Inc., N. Y. City
May 24 filed 400,000 shares of common stock (par 50 cents). **Underwriter**—Max Wolberg, a director of company. **Price**—$1 per share. **Proceeds**—For development of tonnage and mining and shipment of ore.

Crown Capital Corp., Wilmington, Del.
July 3 (letter of notification) $20,000 of 5% subordinated debentures due 1981. **Price**—At principal amount. **Underwriter**—Hodson & Co., New York. **Proceeds**—For general funds. Statement withdrawn.

Dental Research Associates, Inc. (Pa.)
June 27 (letter of notification) 12,000 shares of common stock (par $1). **Price**—$10 per share. **Underwriter**—None. **Proceeds**—For working capital and operating expenses.

• Dryomatic Corp., Alexandria, Va.
July 10 (letter of notification) 300 shares of 6% cumulative preferred stock (par $100) and 1,500 shares of voting common stock (par $1) to be offered in units of one preferred and five common shares. **Price**—$105 per unit. **Underwriter**—None. **Proceeds**—For working capital. **Office**—812 N. Fairfax St., Alexandria, Va.

Dualoc Drive, Inc., Rockford, Ill.
July 3 (letter of notification) 3,000 shares of class A stock. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—For machinery and general corporate purposes. **Office**—700 20th St., Rockford, Ill.

Eastern Stainless Steel Corp.
June 7 filed 100,000 shares of capital stock (par $5) to be offered to stockholders at the rate of one new share for each three held, with oversubscription privilege. **Underwriter**—Allen & Co., New York. **Price**—To be filed by amendment. **Proceeds** — To pay bank loans and for working capital. **Business** — Stainless steel plates and sheets. Offering postponed.

Ecor, Inc., New York City
July 5 (letter of notification) 270 shares of common stock. **Price**—$1,000 per share. **Underwriter**—None. **Proceeds**—For working capital, etc. **Office**—Room 4329, 30 Rockefeller Plaza, New York 20, N. Y.

Fedders-Quigan Corp.
June 21 filed 103,402 shares of series A cumulative convertible preferred stock (par $50) to be offered to common stockholders on basis of one preferred share for each 12 shares held. **Price**—To be filed by amendment, along with dividend rate. **Underwriter**—Smith, Barney & Co., New York. **Proceeds**—To pay promissory note, to complete purchase of a new plant at El Monte, Calif., and for additional working capital. Offering postponed.

First Security Corp. of Nevada, Reno, Nev.
June 14 (letter of notification) 50,000 shares of common capital stock (par 10 cents). **Price**—$5 per share. **Underwriter**—None. **Proceeds**—To buy instalment sales contracts and for investment in selected common stocks of other corporations. **Office**—511 W. 3rd St., Reno, Nev.

First Springfield Corp., Springfield, Mass.
May 29 (letter of notification) 5,471 shares of common stock. **Price**—$15 per share. **Underwriter** — Springfield Mortgage Corp., Springfield 3, Mass. **Proceeds** — For working capital.

Fleetwood Airflow, Inc., Wilkes-Barre, Pa.
April 20 (letter of notification) 79,050 shares of common stock (par 50 cents) to be offered first to common stockholders. **Price**—$1 per share to stockholders and $1.25 to public. **Underwriter**—None. **Proceeds**—For working capital, remaining $28,000 being offered to six creditors in payment of debt. **Office**—421 No. Pennsylvania Ave., Wilkes-Barre, Pa.

Fleming-Hall Tobacco Co., Inc., N. Y.
June 30 (letter of notification) 180,000 shares of common stock (par $1). **Price**—$1.25 per share. **Underwriter**—Carstairs & Co., 1421 Chestnut Street, Philadelphia 2, Pa., will act as financial adviser. **Proceeds**—To be added to general funds. **Office**—595 Fifth Avenue, New York, N. Y.

Florala (Ala.) Telephone Co.
June 29 (letter of notification) 1,200 shares of 4% cumulative preferred stock. **Price**—At par ($25 per share). **Underwriter**—None. **Proceeds**—To extend and modernize plant, lines and other telephone facilities.

• Frontier Leather Co., Sherwood, Ore.
July 8 (letter of notification) 1,000 shares of 6% cumulative preferred stock (par $100) and 10,000 shares of common stock (par 20 cents) to be offered in units of one preferred and ten common shares. **Price**—$101 per unit. **Underwriter**—None. **Proceeds**—To pay off mortgage and for additions, plant facilities and equipment.

General Radiant Heater Co., Inc.
May 3 filed 170,000 shares of common stock (par 25¢). **Price**—$3 per share. **Proceeds**—For plant and warehouse, advertising research, working capital, etc. Temporarily postponed. Amendment may be filed.

General Shoe Corp., Nashville, Tenn.
June 30 filed a maximum of 32,885 shares of common stock (par $1) to be offered on a share-for-share basis in exchange for outstanding preferred stock of W. L. Douglas Shoe Co. No underwriter.

Globe Hill Mining Co., Colorado Springs, Colo.
May 26 (letter of notification) 5,885,000 shares of common stock. **Price**—At par (one cent per share). **Underwriters**—George C. Carroll Co., Denver; Inter-Mountain Shares, Inc., Denver; and M. A. Cleek, Spokane, Wash. **Proceeds**—For mining equipment.

Granville Mines Corp., Ltd., British Columbia, Canada
Feb. 16 filed 100,000 shares of common non-assessable stock (par 50c). **Price**—35c per share. **Underwriter**—None. **Proceeds**—To buy mining machinery and for working capital. Statement effective May 10.

Gulf Atlantic Transportation Co., Jacksonville, Florida
May 27, 1949, filed 620,000 shares of class A partic. ($1 par) stock and 270,000 shares (25c par) common stock. **Offering**—135,000 shares of common will be offered for subscription by holders on the basis of one-for-two at 25 cents per share. **Underwriters**—Names by amendment and may include Blair, Rollins & Co., Inc.; John J. Bergen & Co. and A. M. Kidder & Co. on a "best efforts basis." **Price**—Par for common $5 for class A. **Proceeds**—To complete an ocean ferry, to finance dock and terminal facilities, to pay current obligations, and to provide working capital..

Gulf Stream Frozen Foods, Inc., Miami, Fla.
June 30 (letter of notification) 100,000 shares of 6% preferred stock (par $1), each share convertible into two shares of common stock one year after date of issuance.

Price—$3 per share. **Underwriter**—None. **Proceeds**—To buy sea food for distribution. **Office**—26 N. E. 27th St., Miami, Fla.

Haloid Co., Rochester, N. Y.
June 16 filed 47,183 shares of common stock (par $5) offered common stockholders of record July 6 on basis of one share for each three shares held. Rights will expire July 24. **Price**—$28.50 per share. **Underwriter**—The First Boston Corp. **Proceeds**—For general corporate purposes. **Business**—Sensitizing photographic and photocopy papers and manufacturing photocopy cameras, papers and other photographic supplies. Statement effective July 7.

● **Hamilton Funds, Inc.**
July 11 filed 1,000,000 shares, series H-C7, 1,000,000 shares, series H-DA, and $12,000,000 face amount of periodic investment certificates, series H-DA. **Underwriter**—Hamilton Management Corp., of Denver, Col.

Harvill Corp., Los Angeles, Calif.
June 16 (letter of notification) 150,000 shares of common stock (par $1) to common stockholders of record June 26 on basis of one share for each four held, with an oversubscription privilege; rights expire July 31. **Price**—70 cents per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—6251 W. Century Blvd., Los Angeles 45, Calif.

Higgins, Inc., New Orleans, La.
May 23 (letter of notification) 300,000 shares of common stock now offered to common stockholders of record May 12, with rights expiring July 20. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—For general corporate purposes. **Office**—Industrial Canal Plant, New Orleans, La.

Industrial Stamping & Mfg. Co., Detroit
July 6 filed (by amendment) $500,000 of first mortgage 5% bonds due 1967 (with warrants to purchase 60,000 shares of common stock) and 400,000 shares of common stock (par $1). Of the latter, 272,000 shares will be publicly offered and 28,000 shares will be offered to certain officers and directors of the company; 60,000 shares to be reserved for stock options; and 40,000 shares to be optioned to the underwriter of the bonds. **Price**—of bonds, 100; and of stock to public and employees, $1 per share. **Underwriters**—For bonds, P. W. Brooks & Co., Inc.; for stock, Baker, Simonds & Co. **Proceeds**—To pay mortgage and certain debts, and balance added to working capital, part of which will be used to reduce bank loans. **Offering**—Expected early in August.

Interstate Finance Corp., Dubuque, Iowa
June 14 (letter of notification) 4,000 shares of common stock (par $5) and 2,000 shares of B common stock (par $5). **Price**—$25 per share. **Underwriter**—None. **Proceeds**—To increase working capital. **Office** — 1157 Central Ave., Dubuque, Ia.

Kauai Engineering Works, Ltd., Lihue, Hawaii
June 23 (letter of notification) 98,000 shares of common stock (par $1). **Price**—$1.10 per share. **Underwriter**—Ross & Co., Box 2665, Honolulu, T. H. **Proceeds**—For working capital. **Co.'s Address**—Box 1589, Lihue, T. H.

● **Ketchaboneck Club, Inc., Westhampton Beach, New York**
July 17 (letter of notification) $100,000 general mortgage income 4% bonds due Jan. 1, 1967, and $10,000 of certificates of indebtedness. **Price**—$500 per bond and $50 per certificate. **Underwriter**—None. **Proceeds**—To purchase property and for working capital.

● **Kimball Mines, Inc., Spokane, Wash.**
July 3 (letter of notification) 37,500 shares of capital stock to be offered to holders of ore production certificates. **Price**—10 cents per share. **Underwriter**—None. **Proceeds**—To complete development of mining claims. **Office**—1229 Old National Bank Building, Spokane 8, Wash.

Leigh Foods, Inc. (N. Y.)
June 30 (letter of notification) 300,000 shares of capital stock (par 10 cents). **Price**—$1 per share. **Underwriter**—None. **Proceeds**—For working capital and general corporate purposes. **Office**—630 Fifth Avenue, New York 20, New York.

Louisiana Power & Light Co.
May 23 filed 90,000 shares of preferred stock (par $100). **Proceeds**—To be used to redeem, at $110 per shart plus dividend accruals, the 59,422 shares of outstanding $6 preferred stock, and for construction and other purposes. **Bids**—Received by company up to noon (EDT) on June 19, but rejected. Three bids were made as follows: Union Securities Corp., $100.40 per share with a $4.65 dividend; Blyth & Co., Inc., and Equitable Securities Corp. (jointly), $100.10 with a $4.65 dividend; and W. C. Langley & Co. and First Boston Corp. (jointly), $100.30 with a $5.80 dividend. Statement effective June 12. No further decision reached.

Loven Chemical of California, Newhall, Calif.
May 31 (letter of notification) 282,250 shares of capital stock. **Price**—At par ($1 per share). **Underwriter**—Floyd A. Allen & Co., Inc., Los Angeles, Calif. **Proceeds**—To buy land, build a plant and equip it to produce so-called "impact" plastics. **Office**—244 S. Pine St., Newhall, Calif.

Magnavox Co., Fort Wayne, Ind.
June 19 (letter of notification) 5,500 shares of common stock (par $1). **Price**—$18 per share. **Proceeds**—To Richard A. O'Conner, President of the company. **Underwriter**—Francis I. DuPont & Co., Chicago. **Office**—2131 Bueter Road, Fort Wayne, Ind.

Mercantile Credit Corp., Wichita, Kansas
June 30 (letter of notification) 200,000 shares of common stock (par $1). **Price**—$1.50 per share. **Underwriter**—None. **Proceeds**—For general corporate purposes. **Office**—609 Scott St., Wichita, Kan.

NEW ISSUE CALENDAR

July 24, 1950

Sightmirror Television Corp.	Common

July 25, 1950

Allied Electric Products, Inc.	Pfd. & Com.
Mutual Telephone Co.	Bonds & Pfd.

August 1, 1950

Columbia Gas System, Inc.	Debentures

August 2, 1950

Great Northern Ry., Noon (EDT)	Eq. Tr. Ctfs.
St. Louis-San Fran. Ry., Noon (EDT)	Eq. Tr. Ctfs.

August 3, 1950

Pacific Petroleums, Ltd.	Common

August 16, 1950

Maine Central RR.	Equip. Trust Ctfs.

September 12, 1950

Utah Power & Light Co.	Common

October 9, 1950

Utah Power & Light Co.	Bonds

OFFERINGS TEMPORARILY POSTPONED

Canadian Superior Oil of California, Ltd.	Common
Caspers Tin Plate Co.	Common
Consumers Power Co.	Common
Eastern Stainless Steel Corp.	Common
Fedders-Quigan Corp.	Common
Northwestern Public Service Co.	Common
Public Service Co. of Colorado	Debs. & Pfd.
Rochester Telephone Corp.	Common
Safeway Stores, Inc.	Pfd. & Com.
Southern Co.	Common
Tele-Tone Radio Corp.	Class A & Com.
United States Plywood Corp.	Preferred

Merry Brothers Brick & Tile Co., Augusta, Ga.
June 15 (letter of notification) 1,250 shares of 5% cumulative preferred stock. **Price**—At par ($100 per share). **Underwriter**—Johnson, Lane, Space & Co., Inc. **Proceeds**—To Ernest B. Merry, Jr., Vice-President and General Manager, the selling stockholder.

Middle South Utilities, Inc.
June 1 filed 400,000 shares of common stock (no par) to be offered to preferred stockholders of three subsidiaries—Arkansas Power & Light Co., Louisiana Power & Light Co. and Mississippi Power & Light Co. **Underwriter**—Equitable Securities Corp will serve as "dealer-manager." (See also listings of Arkansas, Louisiana and Mississippi companies elsewhere in these columns.)

Middlesex Water Co., Newark, N. J.
Feb. 9 (letter of notification) 5,200 shares of common stock offered to common stockholders of record March 17 at $50 per share on a one-for-five basis. **Underwriter**—Clark, Dodge & Co. **Proceeds**—To pay notes and for additional working capital. Expected this month.

Miles Laboratories, Inc., Elkhart, Ind.
June 23 (letter of notification) 2,500 shares of common stock (no par). **Price**—$16.50 per share. **Underwriter**—Cohu & Co., New York City. **Proceeds**—To two selling stockholders. Offering date indefinite.

Miller (Walter R.) Co., Inc.
March 6 (letter of notification) 1,000 shares of 6% cumulative preferred stock at par ($100 per share). **Underwriter**—George D. B. Bonbright & Co., Binghamton, N. Y. **Proceeds**—To assist in acquisition of 1216 shares of company's common stock.

Mississippi Power & Light Co.
May 23 filed 85,000 shares of cumulative preferred stock (par 100). **Proceeds**—To be used to redeem at $110 per share plus dividends, the outstanding 44,476 shares of $6 preferred stock and for construction and other corporate purposes. **Bids**—Received by company up to noon (EDT) on June 19 but rejected. Four bids were made as follows: Union Securities Corp., $100.10 per share with a $4.80 dividend; Lehman Brothers, $100.551 with a $4.85 div.; W. C. Langley & Co. and First Boston Corp. (jointly), $100.30 with a $4.90 dividend; and Blyth & Co., Inc., Equitable Securities Corp , Shields & Co., White, Weld & Co. and Kidder, Peabody & Co. (jointly), $100.19 with a $4.90 dividend. Statement effective June 12. No further decision reached.

Mohawk Business Machines Corp.
July 5 (letter of notification) 10,148 shares of common stock (par 10 cents). **Price**—At the market (about $1.12½-$1.25 per share). **Underwriter**—None. **Proceeds**—To Mercer Hicks. **Office**—743 Fifth Avenue, New York, N. Y.

Mutual Credit of Cincinnati, Inc., Cincinnati, O.
June 7 (letter of notification) 1,200 shares of common stock (no par) and 1,000 shares of preferred stock (par $100). **Price**—$25 per share for common and $100 for preferred. **Underwriter**—None. **Proceeds**—To increase available capital for loan business. **Office**—123 E. 6th St., Cincinnati, O.

Mutual Telephone Co., Honolulu, Hawaii (7/25)
June 27 filed $1,000,000 first mortgage bonds, series G, due 1980, and 100,000 shares of preferred stock, series C (par $10), the new preferred stock to be offered initially to common stockholders and employees of the company at rate to be filed by amendment. **Price**—Of bonds to be filed by amendment; of preferred, at par. **Underwriter**—Kidder, Peabody & Co. **Proceeds**—For construction and expansion program.

● **New York Pattern Co., Inc., N. Y.**
July 14 (letter of notification) 2,450 shares of 7% cumulative preferred stock (par $40). **Price**—At par. **Underwriter**—None. **Proceeds**—For expansion and working capital. **Office**—220 West 19th St., New York 11, N. Y.

Norlina Oil Development Co., Washington, D. C.
March 28 filed 600 shares of capital stock (no par.) To offer only sufficient shares to raise $1,000,000 at $5,000 per share. No underwriter. Proceeds to be used to explore and develop oil and mineral leases. Statement effective May 22.

North American Acceptance Corp.
June 26 (letter of notification) 20,000 shares of 60-cent dividend series cumulative preferred stock (par $5). **Price**—$10 per share. **Underwriter**—None. **Proceeds**—To increase notes receivable and for working capital. **Office**—765 W. Lancaster Avenue, Bryn Mawr, Pa.

Northern Illinois Coal Corp., Chicago
May 10 (letter of notification) up to 2,000 shares of common stock (no par) to be sold at the market price (between $20 and $22 per share) by T. Howard Green, a Vice-President of the company. **Underwriter**—Faroll & Co., Rogers & Tracy and Shields & Co., Chicago.

Northwestern Public Service Co., Huron, S. D.
June 9 filed 49,200 shares of common stock (par $3) to be offered to present stockholders at rate of one share for each 10 held. **Underwriter**—A. C. Allyn and Co., Inc., New York. **Price**—To be filed by amendment. **Proceeds**—For construction expenditures. Postponed temporarily.

Oceanic Oil Co., Los Angeles, Calif.
June 19 (letter of notification) 197,672 shares of capital stock (par $1). **Price**—$1.50 per share. **Underwriter**—None. **Proceeds**—To pay bank loans and increase working capital. **Office**—811 W. 7th St., Los Angeles, Calif.

Ohio Oil & Gas Co.
May 5 (letter of notification) 1,100 shares of common stock now held in treasury. **Price**—50 cents per share. **Underwriter**—None. To be offered through Preston, Watt and Schoyer. **Proceeds**—Toward repayment of bank loans.

Orchards Telephone Co., Orchards, Wash.
March 16 (letter of notification) 500 shares of common stock. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—To modernize plant.

Pacific Petroleums Ltd. (8/3)
June 30 filed 900,000 shares of common stock (par $1-Canadian). **Price**—To be filed by amendment. **Underwriter**—Eastman, Dillon & Co. **Proceeds**—To pay bank loan and for corporate purposes, including development of oil and gas lands.

Pan American Gold Ltd., Toronto, Canada
July 20, 1948 filed 1,983,295 shares of common stock (par $1). Underwriters may be brokers. **Price**—45 cents per share. **Proceeds** — Mainly for development. Statement effective April 10, 1950.

Power Petroleum Ltd., Toronto Canada
April 25, 1949, filed 1,150,000 shares ($1 par) common of which 1,000,000 on behalf of company and 150,000 by New York Co., Ltd. **Price**—50 cents per share. **Underwriters**—S. G. Cranwell & Co., New York. **Proceeds**—For administration expenses and drilling. Statement effective June 27, 1949.

Public Service Co. of Colorado
June 26 filed $7,000,000 of convertible debentures, due 1960, and 100,000 shares of cumulative preferred stock (par $100). **Underwriters**—To be determined by competitive bidding, along with prices, interest rate on debentures and dividend rate on preferred stock. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc., and Smith, Barney & Co. (jointly); Lehman Brothers; First Boston Corp.; Harris, Hall & Co., Inc.; Kidder, Peabody & Co. Probable bidders for preferred: Glore, Forgan & Co. and W. C. Langley & Co. (jointly); Lehman Brothers; First Boston Corp., Boettcher & Co. and Bosworth, Sullivan & Co.; Kuhn, Loeb & Co. and Harris, Hall & Co., Inc. (jointly.) **Proceeds**—For construction. Temporarily postponed.

Raytheon Manufacturing Co., Waltham, Mass.
July 12 filed 289,459 shares of common stock (par $5), to be offered to holders of common stock of record around Aug. 1 at rate of one share for each five shares held; rights to expire about Aug. 14. **Price**—To be filed by amendment. **Underwriters**—Hornblower & Weeks and Paine, Webber, Jackson & Curtis. **Proceeds**—For working capital. **Business**—Electronic tubes and equipment for television and radio sets.

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Resort Airlines, Inc., Pinehurst, N. C.
June 19 (letter of notification) 13,547 shares of common capital stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—For working capital.

Rochester (N. Y.) Telephone Corp.
June 29 filed 125,000 shares of common stock (par $10) to be offered to present stockholders at rate of one new share for each four held. **Price**—To be filed by amendment. **Underwriter**—The First Boston Corp., New York. **Proceeds**—For general corporate purposes, including construction and repayment of a loan. Offering postponed.

• **Rocky Mountain Textile Mills, Inc., Denver, Colorado**
July 11 (letter of notification) $150,000 of 5% convertible sinking fund debentures, due 1960, and 1,500 shares of common stock (par $10), to be sold separately or in units of one $1,000 debenture and 100 shares of stock. **Price**—Separately, at par, and in units, at $2,000 each. **Underwriters**—Boettcher & Co. and Peters, Writer & Christensen, Inc., Denver, Col.

Royal Television & Electronics, Inc., Washington, D. C.
June 22 (letter of notification) 600,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Underwriter**—None. **Proceeds**—To buy television set components. **Office**—714 Fifth St., N. W., Washington, D. C.

Safeway Stores, Inc.
June 8 filed 321,000 shares of cumulative preferred stock (par $100) and 257,064 shares of common stock (par $5). The common will be offered to common stockholders at the rate of one new share for each 10 shares held. Of the preferred 205,661 shares will be offered in exchange for 186,965 shares of outstanding 5% preferred stock, along with an unspecified cash payment. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane will offer the unsubscribed common shares as well as 85,114 shares of preferred not needed for the exchange and 30,225 shares which will be created by converting that many of the old 5% shares brought in under the exchange into new preferred stock. Any old preferred not exchanged will be redeemed on Oct. 1. **Price**—To be filed by amendment, along with the dividend rate on the new preferred. **Proceeds**—To redeem the unexchanged 5% stock, make cash payments on exchange, and toward the prepayment of $20,000,000 in bank loans. **Offering**—Temporarily postponed.

• **Salient, Inc., East Longmeadow, Mass.**
July 11 (letter of notification) 2,913 shares of common stock (no par). **Price**—$20 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—Chestnut St., East Longmeadow, Mass.

Seneca Oil Co., Oklahoma City, Okla.
April 27 (letter of notification) 225,782 shares of class A stock (par 50¢). **Price**—$1.25 per share. **Underwriter**—Genesee Valley Securities Co., Rochester, N. Y. **Proceeds**—To acquire properties and for working capital.

Sightmaster Corp., New Rochelle, N. Y.
June 20 (letter of notification) 18,500 shares of common stock (par 5 cents). **Price**—20 cents per share. **Underwriter**—Butler, Moser & Co., 44 Wall Street, New York, N. Y. **Proceeds**—To selling stockholder. **Office**—111 Cedar Street, New Rochelle, N. Y.

Sightmirror Television Corp. (7/24-28)
June 21 (letter of notification) 749,000 shares of common stock (par 1 cent). **Price**—40 cents per share. **Underwriter**—Tellier & Co., New York. **Proceeds**—For payment of patents, etc., and for working capital. **Office**—111 Cedar Street, New Rochelle, N. Y. Expected week of July 17.

Simmel-Meservey Television Productions, Inc.
June 29 (letter of notification) 150,000 shares of common stock (par $1). **Price**—$2 per share. **Underwriter**—Koellmer & Gunther, Newark, N. J. **Proceeds**—To complete films in progress and for general corporate purposes. **Office**—321 So. Beverly Drive, Beverly Hills, Calif.

Southern Co., Atlanta, Ga.
June 23 filed 1,000,000 shares of common stock (par $5). **Underwriters**—To be determined by competitive bidding. Probable bidders are: Morgan Stanley & Co., Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Blyth & Co., Inc. and Bear, Stearns & Co. (jointly); Lehman Brothers; Union Securities Corp. and Equitable Securities Corp. (jointly); Harriman Ripley & Co., Inc. **Proceeds**—To purchase shares of subsidiaries in order to assist them in financing new construction. **Bids**—Had been scheduled to be received at office of the company, 20 Pine Street, New York, N. Y., up to 11:30 a.m. (EDT) on July 25, but offering has been deferred until market conditions improve.

Southern Electrical Corp., Inc.
June 21 filed 16,000 shares of 6% cumulative preferred stock (par $50) with 64,000 stock purchase warrants to buy 64,000 shares of common stock (par $3), and 15,000 shares of common stock with 15,000 warrants to purchase an additional 15,000 shares of common. The preferred stock is offered by the company with four stock purchase warrants offered wtih each preferred share. The common stock is offered by three stockholders, with an option warrant accompanying each share. **Underwriters**—Courts & Co.; The Robinson-Humphrey Co. and Clement A. Evans & Co., Inc., Atlanta, Ga. **Price**—$50 per share, plus accrued dividend from July 1 for the preferred with purchase warrants at 5 cents each; $8.25 per share for the common, plus 5 cents for each warrant. **Proceeds**—From the sale of the preferred, together with a $750,000 loan ,will be used to expand the company's operations. **Business** — Drawing aluminum and copper wire from rods and stranding aluminum, copper and steel wire into cable.

Southwest Natural Gas Co., Shreveport, La.
June 26 (letter of notification) 13,500 shares of common stock to be sold by Ronald M. Craigmyle, at market (about $7.37½ per share) through Craigmyle, Pinney & Co., New York City.

• **Standard Oil Co. (New Jersey)**
July 14 filed an unspecified number of shares of capital stock (par $25), to be offered in exchange for 500,000 shares of outstanding capital stock of Creole Petroleum Corp. at rate of eight Standard Oil shares for 15 Creole shares. **Purpose**—To increase holdings of Creole stock to 95% from present 93.12%.

Standard Television Film Co., Mesa, Ariz.
June 12 (letter of notification) 300,000 shares of common stock at par ($1 per share). No underwriter. Proceeds for capital to begin producing television and motion picture films. **Address**—P. O. Box 915, Mesa, Ariz.

Sudore Gold Mines Ltd., Toronto, Canada
June 6, 1949, filed 375,000 shares of common stock. **Price**—$1 per share (U. S. funds). **Underwriter**—None. **Proceeds**—Funds will be applied to the purchase of equipment, road construction, exploration and development.

Tele-Tone Radio Corp., N. Y. City
June 22 filed 135,000 shares of common stock (par $1). **Price**—$6 per share. **Underwriters** — Sills, Fairman & Harris; Straus & Blosser. **Proceeds**—To 15 selling stockholders. Temporarily postponed.

Tele-Tone Radio Corp., N. Y. City
June 22 filed 100,000 shares of cumulative convertible class A stock. **Price**—At par ($10 per share). **Underwriters**—Sills, Fairman & Harris; Straus & Blosser. **Proceeds** — For additional plant facilities and for working capital. Temporarily postponed.

Television Associates, Inc., Michigan City, Ind.
June 26 (letter of notification) 15,623 shares of common stock. **Price**—At par ($5 per share). **Underwriter**—None. **Proceeds**—To cancel existing indebtedness and for working funds. **Office**—East Michigan Street, Michigan City, Ind.

Transvision, Inc.
June 13 filed 300,000 shares of common stock (par $1). **Price**—2.75 per share. **Underwriter**—Blair F. Claybaugh & Co., New York. **Proceeds**—To increase working capital and repay loans from RFC and Croydon Syndicate, Inc.

Triplex Corp. of America, Pueblo, Colo.
May 18 (letter of notification) 28,571 common shares to be sold at $7 per share. T. E. Nelson, Assistant Secretary of the company, will handle the sales on a commission basis. Proceeds for working capital and payment of obligations. **Offices**—Pueblo, Colo., or 1415 Joseph Vance Bldg., Seattle, Wash.

United States Plywood Corp.
June 19 filed 60,000 shares of series B cumulative convertible preferred stock (par $100). **Underwriter**—Eastman, Dillon & Co., New York. **Price**—To be filed by amendment along with dividend rate. **Proceeds**—To increase working capital and for other corporate purposes, including the erection of a new plant at Anderson, Calif. Temporarily postponed.

Vieh Co., Columbus, Ohio
May 8 (letter of notification) 19,500 shares of common stock at $10 per share. **Underwriter**—The Ohio Co. **Proceeds**—To buy the assets of Brodhead-Garrett Co. and for working capital.

• **Vulcan Detinning Co.**
July 18, A. C. Buttfield, President, announced that, following approval of proposed two-for-one split-up of the common stock to be voted upon Aug. 17, Continental Can Co., Inc., contemplates public offering of part of its Vulcan common stock holdings (which now total 59.2%). Early registration with SEC expected. **Underwriters**—Goldman, Sachs & Co. and Lehman Brothers.

Western Carolina Telephone Co., Franklin, N. C.
June 22 (letter of notification) 1,406 shares of capital stock to be offered to stockholders at rate of one share for each two shares held. **Price**—At par ($50 per share). **Underwriter**—None. **Proceeds**—To pay bank loans.

Western Gypsum Corp., Carson City, Nev.
May 29 (letter of notification) 300,000 shares of capital stock. **Price**—At par ($1 per share). **Underwriter**—Phil Morse, Trustee, P. O. Box 1283, Kingman, Ariz. **Proceeds**—For equipment, real estate, working capital and general corporate purposes. **Office**—Virginia and Truckee Building, Carson City, Nev.

Western Oil Fields, Inc., Denver, Colo.
May 5 (letter of notification) 600,000 shares of common stock and a $50,000 note carrying interest at 4% payable from percentage of oil sold. This note will carry with it as a bonus 500,000 shares of stock. **Price**—Of stock, 25¢ per share. **Underwriter**—John G. Perry & Co., Denver. **Proceeds**—To drill for oil in Wyoming and for working capital.

• **Western Sportsmen's Supply, Inc., Billings, Montana**
July 7 (letter of notification) 5,760 shares of common stock and 275 shares of preferred stock. **Price**—For common, $10 per share, and for preferred, $100 per share. **Underwriter**—None. **Proceeds**—To increase inventories. **Office**—Montana Ave. and North 30th, Billings, Mont.

Western Uranium Cobalt Mines, Ltd., Vancouver, B. C., Canada
Feb. 28 filed 800,000 shares of common capital stock (par $1). **Price**—35 cents per share. **Underwriter**—None **Proceeds**—Exploration and development work. Statement effective May 23.

• **Whitehall Television Corp.**
July 12 (letter of notification) 398,000 shares of common stock (par 10 cents). **Price**—75 cents per share. **Underwriter**—R. V. Klein Co., New York City. **Proceeds**—For working capital and expansion. **Office**—206-12 Hillside Ave., Queens Village, N. Y. Offering being made today.

Wood River Concentrating Co.
June 26 (letter of notification) 1,000,000 shares of common stock to be sold at 10 cents per share and 125,000 shares to be issued to directors of the company for their services. **Underwriter**—Lackman & Co., Hailey, Idaho. **Proceeds**—To build a mill for small mine operators. **Address**—Box 455, Hailey, Idaho.

Prospective Offerings

Aetna Finance Co.
June 3 it was reported company may do some financing later this year. Traditional underwriter: Goldman, Sachs & Co.

Alabama Power Co.
May 12 company reported to be considering issue in late summer of about $10,000,000 preferred stock. Probable bidders: Morgan Stanley & Co.; Blyth & Co., Inc.; Union Securities Corp. and Equitable Securities Corp. (jointly); First Boston Corp.; Drexel & Co. Proceeds will be used for construction expenditures.

American Investment Co. of Illinois
May 24 announced company is planning to file shortly a registration statement covering 160,000 shares of prior preferred stock (par $50). **Price**—To be filed by amendment. **Underwriters**—Glore, Forgan & Co.; Kidder, Peabody & Co., and Alex. Brown & Sons, and others. **Proceeds**—For additional working capital.

American Natural Gas Co.
May 18 it was announced company plans issuance of 380,607 shares of common stock (no par) to common stockholders at rate of one share for each eight shares held. **Price**—To be filed by amendment. **Underwriters**—To be determined by competitive bidding. Probable bidders: Glore, Forgan & Co. and W. C. Langley & Co. (jointly); Blyth & Co., Inc.; Lehman Brothers; The First Boston Corp. **Proceeds**—To increase investments in stock of Michigan Consolidated Gas Co. and Milwaukee Gas Light Co.

Associated Natural Gas Co.
June 14 it was announced company plans issuance of $234,000 common stock and $450,000 of 18-year 4½% first mortgage bonds, plus a 5-year bank loan of $250,000, to finance construction of a new pipe line project in southeastern Missouri, authorized by FPC, to cost $934,000.

Associated Telephone Co., Ltd.
June 15 it was announced that the company's present intention is to raise approximately $10,000,000 of additional funds by selling, in the fall of the current year, 50,000 additional shares of cumulative preferred stock (par $20), a like amount of common stock (par $20) and $8,000,000 of first mortgage bonds, series G. **Underwriters**—For preferred stock, probably Paine, Webber, Jackson & Curtis, Stone & Webster Securities Corp. and Mitchum, Tully & Co. For the bonds, to be determined by competitive bidding. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly); Lehman Brothers; Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp. (jointly); White, Weld & Co. and Kidder, Peabody & Co. (jointly); Equitable Securities Corp. and Harris, Hall & Co. (Inc.) (jointly). **Proceeds**—For construction program.

Big Bear Markets of Michigan, Inc.
June 9 it was announced company plans early registration of additional capital stock, with offering toward the end of this month. **Underwriter**—J. G. White & Co., New York.

Canada (Dominion of)
June 27 it was reported the Canadian Government is making preparations for an extensive refinancing operation. It is understood to plan refunding of a $100,000,000 loan payable in U. S. dollars. Issued in 1930 with a 4% coupon, these bonds are due Oct. 1, 1960 and subject to call Oct. 1, next, on 60 days' notice. The latter privilege is expected to be exercised some time this month. Probable underwriter: Morgan Stanley & Co.

Celanese Corp. of America
April 12 the stockholders voted to authorize the creation of 1,000,000 shares of a new preferred stock (par $100), 505,000 shares of which can be issued at any time. Plans are being formulated for the issuance this year, if market conditions are considered satisfactory, of an initial series of this new preferred stock which may be convertible into common stock. Net proceeds would be used in part for expansion of the business, including additional production facilities. Probable underwriters: Dillon, Read & Co. Inc.; Morgan Stanley & Co.

Central States Electric Corp.
March 1 it was announced that under an amended plan of reorganization it is proposed to issue to holders of all classes of 6% preferred stock for each old share the right to buy a unit consisting of eight shares of new common stock and $14 principal amount of new 4½% income debentures for a package price of $18. The common stock, except for approximately 4,600,000 shares held by Harrison Williams and associates, would be offered the right to buy a unit of one new common share and $1.75 of new income debentures for a package price of $2.25 for each five common shares held. The issue of new stock and debentures would be underwritten by Darien Corp. and a banking group headed by Hemphill Noyes, Graham,

Parsons & Co., Shields & Co., Blair, Rollins & Co., Drexel & Co. and Sterling Grace Co.

Central Telephone Co.
June 22 company announced it plans to file a registration statement late in July covering 90,000 shares of common stock (par $10), which are to be issued to common stockholders of Central Electric & Gas Co. on a 1-for-13 basis. **Dealer Managers**—Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp. **Proceeds**—Mainly to retire $850,000 short-term loans.

Central Vermont Public Service Corp.
May 4, it was announced that if offer to acquire Green Mountain Power Corp. becomes effective, it plans to refund outstanding $7,715,000 first and refunding 3¾% bonds due 1963 of Green Mountain by the issue and sale for cash of first mortgage bonds of a new series and of a new series of preferred stock, $100 par value. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; probable bidders for preferred: W. C. Langley & Co. and Hemphill, Noyes, Graham, Parsons & Co. (jointly).

Chicago & Western Indiana RR.
Jan. 31 reported company will probably issue in the near future some bonds to refund the 4% non-callable consolidated first mortgage bonds due July 1, 1952. Refunding of the first and refunding mortgage 4¼% bonds, series A, due Sept. 1, 1962, is also said to be a possibility. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Lee Higginson Corp.; Harris, Hall & Co. (Inc.); Drexel & Co.; Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly); Harriman, Ripley & Co., Inc.; First Boston Corp.; Lehman Brothers; Paine, Webber, Jackson & Curtis; Kidder, Peabody & Co.

Commercial Credit Co.
March 30 stockholders approved creation of 500,000 shares of cumulative preferred stock (par $100) of which company plans to sell 250,000 shares. A group of underwriters, headed by Kidder, Peabody & Co. and The First Boston Corp., are expected to offer the stock.

Consolidated Edison Co. of New York, Inc.
May 15, Ralph H. Tapscott, Chairman, said the company will require approximately $90,000,000 of "new money" through the sale of securities. No permanent financing is contemplated before this fall, however, and current expenditures are being financed by short-term loans, of which $16,000,000 are now outstanding. It is anticipated that $257,000,000 will be needed for the construction program over the next four years. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; First Boston Corp.

• Duquesne Light Co.
July 12 an application was filed with SEC under which it proposes to sell at competitive bidding $12,000,000 first mortgage bonds and $7,500,000 preferred stock (par $50), the proceeds to be used to pay for expansion program. Probable bidders for preferred stock: Kuhn, Loeb & Co. and Smith, Barney & Co. (jointly); Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); First Boston Corp.; Lehman Brothers. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Union Securities Corp. and A. C. Allyn & Co. (jointly); Harriman Ripley & Co., Inc.; White, Weld & Co.; Drexel & Co. and Equitable Securities Corp. (jointly); First Boston Corp.; Glore, Forgan & Co.

Eastern Utilities Associates
May 23 it was announced that under a plan filed with the SEC a new company will be formed to acquire the assets of Eastern, and of the Brockton Edison Co., Fall River Electric Light Co. and Montaup Electric Co. and will issue and sell $22,000,000 of first mortgage and collateral trust bonds and $8,500,000 of preferred stock.

Elliott Co.
May 26 it was reported that between 47,000 and 48,000 shares of this company's common stock may be offered some time in the near futuer through F. Eberstadt & Co.

Emerson Radio & Phonograph Corp.
May 29, Benjamin Abrams, President, announced that company may use unissued 1,240,390 shares of capital stock (par $5) to acquire additional plant facilities if needed. Traditional underwriter: F. Eberstadt & Co.

• Florida Power Corp.
July 10 company reported to be contemplating issuance of $25,000,000 new bonds, the proceeds to be used to refund the outstanding 3¼% and 3⅜% issues. Probable bidders: Halsey, Stuart & Co., Inc.; Glore, Forgan & Co. and W. C. Langley & Co. (jointly); First Boston Corp.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Harriman Ripley & Co., Inc. Not considered imminent.

Florida Power & Light Co.
June 9 stockholders approved creation of 50,000 shares of $4.50 cumulative preferred stock (par $100). These shares are soon expected to be offered to finance part of construction program which is expected to require approximately $25,000,000 new capital through 1952.

Granite City Steel Co.
July 11, company announced stockholders will vote Aug. 17 on increasing authorized common stock from 400,000 shares to 1,000,000 shares, and directors approved tentative plans for a proposed offering to stockholders of rights to subscribe to additional common stock. The proceeds will be used to reimburse company for capital expenditures already made and to provide funds for further capital expenditures contemplated. A registration statement is expected to be filed with the SEC at an appropriate time. Traditional underwriter: Glore, Forgan & Co.

• Great Northern Ry. (8/2)
Bids will be received by the company, at Room 905, 2 Wall Street, New York, N. Y., at or before noon (EDT) on Aug. 2 for the purchase from it of $14,130,000 equipment trust certificates, series of 1950, to mature in 30 equal semi-annually instalments beginning on Feb. 1, 1951 and ending Aug. 1, 1965. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harriman Ripley & Co., Inc. and Lehman Brothers (jointly).

Holeproof Hosiery Co.
June 22 it was announced that registration statement is expected to be filed shortly covering not less than 25% and not exceeding 33⅓% of the stock held by principal stockholders following proposed 7½-for-1 stock split up. **Underwriter**—A. G. Becker & Co. Inc.

Houston Lighting & Power Co.
April 14, S. R. Bertron, President, estimated construction expenditures for 1950 between $19,000,000 and $20,000,000. This estimate may be raised to accommodate increased power demands on the system. If this is the case, more financing will be necessary, he added. This may be done through additional common or preferred stock financing.

Indiana Gas & Water Co.
July 5 it was reported that the company may issue $9,500,000 of refunding mortgage bonds. Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp.; Harriman Ripley & Co., Inc. and Blyth & Co., Inc. (jointly); Kidder, Peabody & Co. Expected in August.

Iowa Southern Utilities Co.
April 26 company said to plan sale of first mortgage bonds to finance part of its $3,200,000 construction program for 1950. Probable underwriter: The First Boston Corp.

Kaye-Halbert Corp., Culver City, Calif.
June 8, Harry Kaye, President, announced that "it is possible from time to time that additional financing might be undertaken to facilitate the further growth and development of the business." Office—3555 Hayden Ave., Culver City, Calif.

La Crosse Telephone Co.
June 6, company announced that it has advised the Wisconsin P. S. Commission that it expects to sell $1,000,000 of long-term bonds and not less than $600,000 additional common stock. Proceeds will be used to repay $1,300,000 bank loans, due in September, 1951, and the remaining $300,000 will go to Central Telephone Co., parent, to repay temporary advances for construction. Probable underwriter: Paine, Webber Jackson & Curtis.

Long Island Lighting Co.
May 18 it was reported company's construction program in 1950 will cost $20,000,000 which is currently being financed by up to $12,000,000 bank loans pending permanent financing which may be done following effectiveness of consolidation plan. Probable bidders for any new securities include Smith, Barney & Co.

Lorillard (P.) Co.
April 4, Herbert A. Kent, President, said: "It may be necessary to do some financing" before Aug. 1, 1951 to redeem $6,195,450 of 5% bonds due on that date and for additional working capital to meet expanded sales volume. He added that company plans to pay off its bank loans in full by July, 1950. These loans now amount to $12,000,000. Traditional underwriters: Lehman Bros. and Smith, Barney & Co.

Macy (R. H.) & Co.
May 8 it was reported that company is considering issuance of $10,000,000 of new securities, either debentures or preferred stock. Traditional underwriters — Lehman Brothers; Goldman, Sachs & Co.

• Maine Central RR. (8/16)
July 10, company applied to ICC for authority to issue $5,600,000 of equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co. and Lehman Brothers (jointly); Salomon Bros. & Hutzler.

Market Basket, Los Angeles, Calif.
May 25 company announced it plans sale of 4,452 shares of authorized but unissued, preferred stock, series C, (par $15) and an additional 30,000 shares of preferred stock, (par $15) to be authorized. Further details not available.

Michigan Bumper Corp., Grand Rapids, Mich.
July 5 it was announced stockholders will vote July 20 on increasing authorized common stock (par $1) from 250,000 shares to 500,000 shares, with holders of present outstanding stock to have no preemptive rights.

Michigan Consolidated Gas Co.
June 29 FPC granted temporary authorization for the construction of additional facilities costing $15,346,500. Probable bidders for new debt financing: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Lehman Brothers (jointly); Smith, Barney & Co. Expected later this year.

Michigan-Wisconsin Pipe Line Co.
June 29 FPC granted temporary authorization for the construction of additional facilities costing an estimated $22,732,200. Bonds or debentures may be issued later this year. Previous debt financing placed privately.

Milwaukee Gas Light Co.
June 21 it was announced that the company's permanent financing program, expected to be consummated prior to October, 1950, will involve refinancing of $13,334,000 of first mortgage 4½% bonds due 1967, $2,000,000 of 7% preferred stock and bank loans (about $8,500,000) through the issuance of new senior securities and common stock (American Natural Gas Co. now owns 97.7% of presently outstanding common stock). Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co., and Lehman Brothers (jointly); Kidder, Peabody & Co.; Harriman Ripley & Co.; Smith, Barney & Co., Kuhn, Loeb & Co. and Blyth & Co., Inc. (jointly).

Mountain Fuel Supply Co. of Utah
June 6 company announced plans to create a new firm to take over its exploration and development of natural gas and oil operations. It will be financed, in part, through public sale by the new unit of 1,000,000 shares of capital stock (par $8). Financing plan submitted by First Boston Corp. Expected this Fall.

Mountain States Power Co.
May 17 the stockholders voted to increase the authorized preferred stock (par $50) from 75,000 to 150,000 shares. There are presently outstanding 72,993 shares. Probable underwriter: Merrill Lynch, Pierce, Fenner & Beane.

New England Power Co.
April 24 it was estimated that about $37,000,000 new financing will be required to pay construction costs estimated at $40,000,000 for 1950 to 1952. Present plans are to issue in late summer or early fall $10,000,000 bonds and 50,000 shares of preferred stock. Probable bidders: (1) For bonds—Halsey, Stuart & Co., Inc.; (2) for bonds and preferred: Harriman Ripley & Co. Inc.; Lehman Brothers; Kidder, Peabody & Co.; First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; (3) for preferred:—W. C. Langley & Co.

New England Public Service Co.
April 7 SEC authorized company to file an application to sell 200,000 shares of Public Service Co. of New Hampshire common stock or a sufficient number of shares of Central Maine Power Co. common stock (about 225,000 shares) to raise approximately the same amount of money. Probable bidders: Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Coffin & Burr, Inc.; First Boston Corp.; Harriman Ripley & Co. Inc. and Goldman, Sachs & Co. (jointly). The proceeds will be used to pay bank loans.

• New Hampshire Electric Co.
July 18 company informed SEC it plans to issue and sell at competitive bidding $3,600,000 of first mortgage sinking fund bonds, series A, due 1975. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. **Proceeds**—To retire (a) $1,880,000 first mortgage bonds, series A and B due 1963, and (b) $1,250,000 of bank loans due Dec. 31, 1952; and the balance for construction purposes.

New York State Electric & Gas Corp.
May 24 it was reported company expects to sell $14,000,000 of bonds and $6,000,000 of new preferred stock in June, 1951, with an additional $10,000,000 of new securities to be sold in 1952, the proceeds to be used to pay, in part, cost of new construction estimated to total $55,800,000 in the next three years. Probable bidders for bonds and preferred: Blyth & Co., Inc., and Smith, Barney & Co. (jointly); First Boston Corp. and Glore, Forgan & Co. (jointly); Harriman Ripley & Co. Inc. Probable bidders for bonds only: Halsey, Stuart & Co. Inc.

Niagara Mohawk Power Corp.
Jan. 19 announced that construction program will necessitate in 1950 not more than $25,000,000 of additional debt or equity financing, including short-term bank loans. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp.; Kuhn, Loeb & Co.

Pacific Northwest Pipeline Corp.
June 30 company sought FPC authority to build a 2,175 mile pipeline system—from southern Texas to Washington—at a cost of $174,186,602. Negotiations for major financing requirements are now in process of being completed.

Pacific Power & Light Co.
April 13, Paul McKee, President, disclosed that a group of 16 purchasers who acquired company's 500,000 shares of common stock from American Power & Light Co. on Feb. 6, last, have informed him of their intention to make a public distribution of these shares at earliest practical date, which may be shortly after Aug. 6. A. C. Allyn & Co., Inc. and Bear, Stearns & Co. headed this group. The 500,000 shares of common stock are being split-up on a 3½-for-1 basis, all or part of which will be publicly offered. Company also expects to raise $3,000,000 in new money later this year and a similar amount in 1951. Registration of new 1,750,000 soon expected.

• Pennsylvania RR.
July 12 company reported planning issuance and sale early in September of $10,005,000 additional equipment trust certificates, series Z, to mature annually April 1, 1951 to April 1, 1965. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co., Inc. and Lehman Brothers (jointly); Salomon Bros. & Hutzler.

Philadelphia Electric Co.
May 5 it was said that there will be additional financing later this year, with probably some common stock to be underwritten by Drexel & Co. Bond financing would be competitive, and preferred stock would be either negotiated or competitive.

Plantation Pipe Line Co.
July 6, it was reported that this company, an affiliate of Standard Oil Co. (New Jersey), is contemplating financing of about $50,000,000, probably privately. If publicly offered underwriter may be Morgan Stanley & Co. Proceeds to be used to build new pipe line, with construction to begin early next year and completion scheduled for early 1952.

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Public Service Electric & Gas Co.
April 17 stockholders approved the issuance of $90,000,000 new bonds for the purpose of refunding $50,000,000 3⅛% bonds due 1965; $10,000,000 3¼% bonds due 1968; $15,000,000 3% bonds due 1970 and $15,000,000 bonds due 1972. Probable bidders. Halsey, Stuart & Co. Inc.; Morgan, Stanley & Co. and Drexel & Co. (jointly); Kuhn, Loeb & Co. and Lehman Brothers (jointly); First Boston Corp.

Reynolds Metals Co.
June 7 company announced stockholders will vote Aug. 9 on increasing authorized common stock from 1,500,000 shares to 2,500,000 shares. The increase is being sought to make additional shares available for any future need. Probable underwriter: Reynolds & Co.

● **St. Louis-San Francisco Ry. (8/2)**
Bids will be received by the company, at Suite 1524-8, 120 Broadway, New York, N. Y., at or before noon (EDT) on Aug. 2 for the purchase from it of $3,705,000 equipment trust certificates, series G, to mature in 15 equal annual instalments. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co., Inc. and Lehman Brothers (jointly); Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.).

San Diego Gas & Electric Co.
July 3 it was reported that company may issue late in September or early October between $8,000,000 and $10,000,000 of bonds. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; White, Weld & Co. and Shields & Co. (jointly); First Boston Corp.; Union Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane; Lehman Brothers and Bear, Stearns & Co. (jointly); Salomon Bros. & Hutzler.

Schering Corp.
May 4, it was announced that the company's entire common stock issue (440,000 shares) was expected to be registered with the SEC in the near future and offered for sale to the highest bidder by the Office of Alien Property. Probable bidders: A. G. Becker & Co. (Inc.), Union Securities Corp. and Ladenburg, Thalmann & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co.; F. Eberstadt & Co.; Allen & Co.; new company to be formed by United States & International Securities Corp.; Dillon, Read & Co.; F. S. Moseley & Co.; Riter & Co.

Seaboard Finance Co.
June 3 it was reported that company in August is expected to register with the SEC additional shares of its stock. May be offered through dealer-manager group probably headed by First Boston Corp.

Sierra Pacific Power Co.
June 2 company announced it plans to finance and permanently refund $2,200,000 of bank loans by the sale of debentures and common stock prior to Oct. 31, 1950. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp.

South Carolina Electric & Gas Co.
May 11 it was announced company plans to spend in the next four years $34,000,000, of which $11,600,000 will be spent in 1950. It is estimated that $6,000,000 of new money will be required in this year, to be raised by the sale of $3,000,000 of bonds and 60,000 shares of preferred stock (par $50). Probable bidders include Lehman Brothers.

South Jersey Gas Co.
June 15 United Corp. proposed, under its amended plan filed with SEC, to sell its holdings of 154,231.8 shares of South Jersey Gas Co. common stock as to which an exemption from competitive bidding is requested.

Southern California Edison Co.
March 3 it was reported that company expects to issue this summer $55,000,000 of bonds. Probable bidders: The First Boston Corp. and Harris, Hall & Co. (Inc.) (jointly); Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Shields & Co. Proceeds would be used to refund $30,000,000 3¼% bonds and for construction costs.

Southern Natural Gas Co.
June 21 SEC approved temporary bank borrowings of up to $20,000,000 to mature July 1, 1951, the proceeds to be used for construction program, estimated at $32,520,000 for 1950-1951. Permanent financing is expected to involve the issuance and sale of at least $10,000,000 of first mortgage bonds, with respect to which a declaration is expected to be filed prior to Nov. 1, 1950, to be followed by additional financing early in 1951, involving the sale of at least $5,000,000 additional common stock which will be offered to stockholders under preemptive rights. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Blyth & Co. and Kidder, Peabody & Co. (jointly); First Boston Corp.

Southern Utah Power Co.
June 8 SEC authorized trustee of Washington Gas & Electric Co. to undertake negotiations with "all interested parties" for the sale of its common stock interest (62,910 shares) in Southern Utah Power Co. for not less than a $550,000 base price, plus adjustments.

● **Suburban Gas Service, Inc.**
July 15 company reported planning registration of about 6,900 shares of preferred stock (par $25), convertible into common stock on a 1-for-5 basis, and a like amount of shares of common stock. **Price**—Preferred, $20 per share; common, $4 per share. **Underwriter**—Wagenseller & Durst, Inc., Los Angeles, Calif.

Tampa Electric Co.
April 25 it was announced company plans to raise $4,700,000 in new money through sale of additional securities, the proceeds to finance in part 1950 construction expenditures.

Tennessee Gas Transmission Co.
Jan. 25 Gardiner Symonds, President, announced that "some bonds will be sold late this summer at competitive bidding, but the amount has not yet been decided." Banking circles speculated that a $40,000,000 bond sale would be forthcoming. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp. and White, Weld & Co. (jointly); Kuhn, Loeb & Co. and A. C. Allyn & Co. (jointly). The proceeds would be used in part to pay for construction.

Tide Water Power Co.
May 4 stockholders have approved an increase in the authorized common stock to 1,000,000 shares from 500,000 shares. It was understood that 125,000 shares may be sold. Traditional underwriters: Union Securities Corp.; W. C. Langley & Co.

Utah Natural Gas Co.
June 5 it was announced company plans to build a 325-mile 22-inch pipe line in Utah to cost approximately $25,000,000. Hearings will be held before the Utah P. S. Commission in August or September, after a study of the project.

● **Utah Power & Light Co. (9/12) (10/9)**
July 15 it was reported that registration is expected about Aug. 2 of $8,000,000 of additional first mortgage bonds to be sold through competitive bidding, and 166,604 additional common shares to be offered to present shareholders in ratio of one new share for each eight shares held. Proceeds from the bond and stock sales will be used to repay short-term loans in connection with the company's construction program, and for carrying forward the expansion program into 1951. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Lehman Brothers and Bear, Stearns & Co. (jointly); Union Securities Corp. and Smith, Barney & Co. (jointly); First Boston Corp. and Blyth & Co., Inc.; Harriman Ripley & Co., Inc.; Kidder, Peabody & Co.; White, Weld & Co.; Salomon Bros. & Hutzler. Probable bidders for common: Blyth & Co., Inc.; Union Securities Corp. and Smith, Barney & Co. (jointly); Lehman Brothers; W. C. Langley & Co. and Glore, Forgan & Co. (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly). Common stock expected about Sept. 12 and bonds about Oct. 9.

Valley Gas Pipe Line Co., Inc., Houston, Tex.
June 27 company sought FPC authorization to construct a $144,500,000 pipeline project to carry natural gas from the Gulf Coast and off-shore fields in Louisiana and Texas to markets in Indiana, Ohio and Michigan. Company is now in process of completing negotiations for its major financing requirements.

Virginia Electric & Power Co.
June 20 it was announced company expects to offer through competitive bidding not exceeding $20,000,000 of first and refunding mortgage bonds. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp.; Kuhn, Loeb & Co.; White, Weld & Co.; Stone & Webster Securities Corp.; Salomon Bros. & Hutzler. Proceeds will be used to finance construction program. Expected this Fall.

Warner (William R.) & Co., Inc.
June 12 Elmer H. Bobst, President, announced that corporation proposes recapitalization and change in name to Warner-Hudnut, Inc.; also to file a registration statement with the SEC covering the sale of approximately 325,000 shares of new common stock (par $1) to the public through a nation-wide group of underwriters headed by F. Eberstadt & Co., Inc.

Western Pacific RR. Co.
June 14 it was reported company plans issuance and sale of about $20,000,000 bonds. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Bear, Stearns & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane.

Worcester County Electric Co.
April 25 company reported planning issuance of $10,000,000 first mortgage bonds. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co., Inc.; Lehman Brothers; Kidder, Peabody & Co.; First Boston Corp.; Merrill, Lynch, Pierce, Fenner & Beane.

Continued from page 4

Analysis of Devaluations and Exchange Rates

came, in both cases, from an alteration in the exchange value of sterling. Although a considerable number of depreciations and other modifications in foreign exchange rates had occurred in the inter-war period and again in the years after the Second World War, it was not until sterling was affected that a stream of currency changes was released. About 30% of all international trade is still financed in sterling. In itself this sensitiveness to changes in the value of sterling may be taken as proof of the central position that the British currency has held in the building-up and working of the gold-standard system, which, despite all modifications in gold-market practices, etc., has not been really superseded as far as its main institutions and methods of financing are concerned. Gold is being accepted in exchange for national currencies, and, indeed, is much sought after by the many countries which have to replenish their monetary reserves.

There are of course, also points of difference between the circumstances which led up to the devaluations in 1931 and 1949, respectively. In the earlier case, prices of wheat and other cereals had already begun to fall in 1927 and other products followed suit during the latter half of 1929; thus the decline in prices had been going on for two years or more before the wholesale currency changes took place in the autumn of 1931. Nearly 13 years had passed since the end of the war: there had been time for reserves to be reconstituted; international lending was still continuing at a surprisingly high rate in 1930; and it was only upon the combined appearance of a number of adverse factors (a seemingly unrestrainable fall in prices and an acute financial crisis leading to large-scale withdrawals of funds) that the devaluations became unavoidable. In 1949, on the other hand, the price fall (chiefly affecting primary products) was of relatively short duration, and the recession in the United States had been practically overcome when the devaluations set in. On the second occasion there was clearly less power of resistance; the Second World War had meant a further weakening for the countries concerned and, in addition, there was perhaps a somewhat greater readiness to accept, without undue delay, a change which may have appeared inevitable in the long run and which, in many quarters, had already been expected for some time.

It is interesting to note, in retrospect, that the opening months of 1949 were characterized by quite a remarkable mood of optimism. If one looks at the graph of quotations for bank-notes on the Swiss market one finds in the first four months of 1949 a general reduction in the disparity between these quotations and the official rates of exchange. In the "Economic Survey for 1949" (published in March, 1949) the British Government itself had noted "the significant change which has taken place in the position of sterling in the world's financial centers." And in several countries on the continent of Europe (including, *inter alia*, France and Italy) the beneficial results of more orderly State finances and a more effective credit policy could be seen in the attainment of a stronger exchange position, as reflected in slowly mounting monetary reserves together with repayments of clearing balances and other exchange liabilities in relation to other countries. There were comparatively few currency changes in this period: Finland made a readjustment in its foreign exchange rates on July 4, 1949, the previous postwar alterations of the Finnish mark having been those of May, July and October, 1945.

But there were signs that the monetary position was not so firmly established as it might seem. The recession in the United States, coinciding with the more general transition from a sellers' to a buyers' market, had several important consequences which were among the factors responsible for the devaluations. Most of these factors have been mentioned earlier in this report; here they are only briefly indicated for a completion of the picture:

(1) When the market turned in favor of the buyer and prices began to fall—most sharply in the case of primary products but not exclusively in that field—any weakness which a particular country had developed as a result of high prices, and which might have been passed off in the buoyancy of the boom, was then suddenly revealed. And the trouble might not be limited to ready-made articles: it might also happen that, for instance, higher prices charged for materials would tend to keep costs of production dangerously high in comparison with costs in competing countries.

(2) The reduction in purchases abroad by manufacturers in the United States, who were drawing on stocks already accumulated, hit more especially the suppliers of primary products and, since many of these products came from the sterling area, there were repercussions on the monetary reserves in London, which acted as banker for the various members of the sterling area.

(3) As it became known that difficulties were arising in regard to sterling and rumors of a coming devaluation began to spread, foreign importers of sterling goods delayed their orders and payments, while sterling-area importers tried to speed up purchases and payments as much as they could.

(4) The quotations for British bank-notes on the Swiss market declined in April and the following months. There was also a weakening of the rates quoted in various markets for "transferable sterling," which in the summer of 1949 varied between $2.80 and $3.20 (according to the country which held the sterling in question) and gave rise to arbitrage operations attracting much attention.

(5) Account has further to be taken of the heavy expenditure for consumption and investment in many sterling-area countries other than the United Kingdom, the total expenditure clearly exceeding the available resources of domestic origin and, therefore, causing a current deficit in the balance of payments. In several sterling-area countries this high rate of expenditure was sustained by drawing on sterling balances and also by capital movements from the United Kingdom.

In one way or another, the strain to which the various sterling-area countries were subjected affected the central montary reserves in London. In the course of the summer of 1949 a number of emergency measures were

adopted. A temporary stop was put to United Kingdom purchases from the dollar area, except in certain special cases. A meeting of Commonwealth Finance Ministers was held in London in July, the United Kingdom announcing its intention to reduce imports from the dollar area to 75% of their 1948 level. The Finance Ministers of all Commonwealth members of the sterling area (except South Africa) agreed to recommend their governments to take action comparable in its effect to that decided upon by the United Kingdom.

Even before these measures could take effect, a certain improvement was noticeable as a consequence of the upturn of industrial activity in the United States in the summer. But the dollar drain was still considerable and on the eve of the devaluation the monetary reserves of the United Kingdom, which are at the same time the central reserves of the whole sterling area, were down to $1,340 million, being then only half as large as at the end of 1946, i.e. just before the effects of the 1947 crisis had begun to make themselves felt.

Attention has been concentrated on the sterling position, largely because the connection between raw-material-producing countries in the sterling area and the central reserves in London was of fundamental importance for the turn taken by events. Other countries were, of course, also affected, but not always in the same way. Among the Scandinavian countries, Norway and Sweden experienced a decline in reserves, while up to the time of the devaluation the foreign exchange position of Denmark had rather tended to improve.

The Netherlands experienced certain difficulties in regard to its dollar payments but was otherwise able to improve its exchange position, while France and Italy also managed to add to their gold and dollar reserves, benefiting by increased financial stability at home and by lower prices as regards their imports of primary products. But these countries, too, felt the strain of a change in the world conjuncture; their own exporters had to contend with declining prices and keener competition on foreign markets.

The centre of discussions and negotiations moved to Washington, where the annual meetings of the International Monetary Fund and the International Bank for Reconstruction and Development began on Dec. 13, 1949; but before that date delegations from Canada, the United Kingdom and the United States, headed by their respective Finance Ministers, were already discussing the financial and economic situation, and at the end of their deliberations they issued a communique dated Sept. 12, 1949.

It was particularly emphasized in the communique that the sterling area would have to increase its dollar earnings so as to pay its way by 1952, and that "this would require in the sterling area the creation of appropriate incentives to exporters to the dollar area and a vigorous attack upon costs of production to enhance the competitive position of sterling-area products." On the other hand, "the creditor countries undertook to facilitate, to the greatest extent feasible, an expansion of dollar earnings by debtor countries, including the sterling area." With a view to the performance of these tasks special attention was to be paid to a ten-point program involving the following main decisions:

(1) The problem of overseas investments will be reviewed by the U. S. President's Committee for Financing Foreign Trade, in cooperation with corresponding groups of British and Canadian financial representatives, this team of experts addressing itself especially to the solution of the problem of incentive and of providing a suitable environment for a high level of private investment.

(2) As regards commodity arrangements and stockpiling, the Canadian Government declared itself prepared to increase reserve stocks of tin and rubber; for the same purpose the United States will review its stockpiling program and will meanwhile open the way for increased sales of natural rubber.

(3) The United States recognized the practical difficulties arising out of the limitations on items which may be financed under present ECA procedures and agreed that the United Kingdom must finance with its share of ECA funds "a wider range of dollar expenditures than has hitherto been eligible, both within and outside of the United States."

(4) The United States and Canada agreed to review customs procedures, recognizing that administrative rules and practices may create obstacles both psychological and actual.

(5) As to tariff policy, "it was noted that high tariffs were clearly inconsistent with the position of creditor countries." The United States will continue the policy of seeking "further negotiation of trade agreements through which additional reductions might be made, within the framework of the Reciprocal Trade Agreements Act."

(6) As regards liberalization of intra-European trade and payments, it was the view of the U. S. and Canadian delegations that "the United Kingdom shortage of dollars should not in itself force the United Kingdom to reduce its purchases from areas with which it does not have a shortage of means of payment."

(7) The whole problem of sterling balances "in its various aspects, including the necessity to provide capital goods for development, was discussed in a preliminary way on the basis of prior technical examination by the experts of the three governments. It was agreed that this was one of the subjects which concerned other countries and would require further study."

(8) It was recognized by all parties that the question of petroleum, whether it concerned production or refining or geographical distribution, should be studied from the point of view of how it affected the dollar position of the United Kingdom.

(9) It was also agreed that further study should be given to the question of shipping—another important element in the sterling-area balance-of-payments picture.

(10) In conclusion, it was proposed that "the examination of questions on which it is hoped that useful understanding can be reached under the direction of the present Ministerial group" should be continued, in order "to keep under review the effectiveness of actions already agreed upon and to prepare, for governmental consideration, measures which could carry further those adjustments which are considered to be necessary"—but without in any way encroaching upon or detracting from "the area of competence of the OEEC and other existing organs of international economic collaboration."

The ten-point program is not, of course, exhaustive as regards monetary matters; while adjustment of exchange rates, limitation of excessive expenditure and the pursuit of an adequate credit policy are prerequisites which determine the general lines of financial rehabilitation, the task of restoring monetary balance could be greatly facilitated by the adoption of particular measures (such as those specified in the communique) in a number of different fields, and it might be greatly hampered by their omission.

Our Reporter's Report

The new issue market appears definitely to have settled into its customary summer rut with an added push from the influence of current unsettling events and the threat to world peace.

Investment bankers and market observers do not see much chance of any important phase of revival until the end of the summer period. And then, it is suggested, conditions prevailing at the time will carry considerable weight in shaping the decisions of corporations which are potential borrowers.

For the present, at any rate, there is only a modicum of interest showing and this largely on the part of institutional portfolio buyers who have odds and ends to dispose of or open positions to fill in.

Insofar as new issues are concerned, there is virtually nothing ahead for the balance of this month and August is normally the bottom of the summer drought in underwritings.

More to the point new issues, chiefly equities, which had been shaping for marketing at this time, are being deferred pending possible improvement in conditions, and in some instances set back indefinitely.

The reason is not difficult to find. Big investors such as the insurance companies—the current major outlet for new bonds and other debt securities—are disposed to do nothing more than "mark time."

And dealers report much the same conditions prevail among equity outlets, chiefly the investment trusts. Such institutions naturally prefer to be in cash in such circumstances.

Unsold Issues Lag

The current lethargy has spread out to affect unsold stocks on dealers' shelves as well as possible new issues. Leftovers from earlier marketings had shown signs of moving out encouragingly until war clouds darkened up the skies.

Now observers report that prospective buyers for such issues have indicated a disposition to step aside. Accordingly, there is little or no real movement in that direction at the moment.

That is in the corporate field. In the municipal market, however, with large new emissions in the offing, dealers with sizable stocks on the shelf have been inclined to shave prices a bit and in this manner have been able to move out fair-sized blocks of lagging issues.

Pipe Line Halves Issue

Texas-Illinois Natural Gas Pipe Line Co. went through with its interim financing, but halved the total for public offering in the process.

The company had originally planned to market a total of $12,000,000 of interim notes, due in 1952. But it finally decided to cut the amount so offered to $6,000,000 with the difference being taken up by People's Gas, Light & Coke Co.

With two large insurance companies, one in New England and one in the Northwest, taking substantial blocks, this offering appeared assured of early closing.

Good Half Year

While everything points to a lean five or six weeks ahead, with the fall outlook hinging on the turn of events in the Far East, bankers have enjoyed an extremely active half year in the six months just ended.

Corporate financing footed up to better than $1.6 billion, of which the public utility companies accounted for some $1,120,000,000 and the railroads for $375,000,000, with industrial companies contributing about $115,000,00 of the total.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—President Truman has temporarily settled on the proposal of boosting U. S. military spending by $10 billion and spending to aid foreign military services by an unknown additional amount as his present reaction to the reverses the U. S. is suffering in Korea.

Just what specifically the President will favor in the way of allocation of materials control legislation, whether voluntary or compulsory, restrictive or expansive, was vague. It remains to be worked out in legislative proposals, the draft of which may come at any time.

Likewise, the President vaguely talks about higher and "balanced" taxation, but indicated he will not make public his and the Treasury's proposals to spell out these broad ideas for perhaps a few days.

The President talked of cutting back civilian activities of government, but his first specific order on that question leaves doubts that it will cause even a hesitation in the present building boom.

* * *

(President Truman's "dampening down" on the housing boom was mild indeed. In a very rough way, it "cut back" the ratio of FHA insurance to about what it was two or three years ago and, being effective only on new commitments to insure or of VA to guarantee, runs no risk of discouraging any substantial volume of home building for the balance of the 1950 construction season. The "limitation" of public housing to 30,000 starts is about all that could be achieved anyway in the last six months of 1950, at the start of a new program, although it does suggest a possible limitation on next year when volume might otherwise increase.)

Despite the President's recommendations, officials, of course, are confused and befuddled beyond the imagination of laymen. They have, on matter of policy, moved to the peak of one hill and to its very valley in scarcely 24 hours' time.

Thus, the draft was not in prospect, then it was ordered. The tax bill was to be allowed to pass, then shortly the decision was made privately to let it die but to avoid letting this be known officially for fear of disturbing the peace. Then in a few days' time, in another turnabout, it was decided to tell the whole world that the tax bill was dead. (Last week's column was written before this last decision was announced, after press time.)

* * *

The fundamentals of the Administration's confusion are seen here by detached observers about as follows:

Mr. Truman wanted to have his epochally-extravagant "Fair Deal" and at the same time to be the man who moved his government to stop the greatest potential barbarian conquest in the recorded history of man. Many "cantankerous" conservatives declared that these two over-reaching objectives were mutually exclusive in that either one cost so much that it made the other impossible, if indeed either of them singly was achievable.

Being human and wanting both things very much, Mr. Truman could not admit that his objectives were beyond reach. Moreover, being a politician and wanting to be re-elected, he could not take the risk of developing a military or semi-military state for the sake of stopping Communist aggression. At the same time politics would bar him from stripping U. S. defenses to little or nothing.

Under the circumstances, the President found himself a couple of guys who solemnly reassured him he could have both. If these had not been General Bradley and Secretary Johnson, they would have been any Joe Zilch or Mike Brown. Mr. Johnson loved to say, in effect, that if the enemy struck at 4 o'clock, the U. S. would be ready to hit 'em back at 5 o'clock. General Bradley was satisfied that the nation's defenses were adequate "considering the needs of the economy," by which he might have said the politics of the Truman Administration.

These two individuals could not have held their jobs if they had told Mr. Truman the facts about the utter unpreparedness of the U. S. to meet a little war in Korea. Hence this particular reporter is satisfied, and officials in their reactions seem to bear it out, that difficult as it is to believe, the White House and the civilian side of the Administration were utterly without knowledge of what a mess they got into when Mr. Truman impetuously ordered resistance to the North Koreans.

Had the hired brass let on right away that it was an almost impossible job to stop the Koreans for a long time—if ever—short of a re-invasion after a rout—these guys would have been fired, and they, too, liked their official positions. They had taken over and outspoken Navy men and, to a lesser extent, Army men and airmen, had been sent to the military "Siberia" for daring to be publicly skeptical that the advertised miracle of military efficiency had not taken place under "unification."

It is a cinch that the civilian side of the Administration did not know for some time the precarious outlook for the cops in the cops and robbers game in Korea. Meanwhile, they have had to find out that the little gadget of "strategic bombing" was only relatively more useful in stopping the Korean Reds than a Presidential fireside chat, and that the U. S. was without a small striking force anywhere, without much tactical bombing power, and without a fleet in being capable even of preventing North Korean landings behind the lines in South Korea.

So now the Administration is confronted with two possibilities that are the cruelest that require decisions from politicians. The first is that there is very grave danger that U. S. forces will be forced out of South Korea—although each day somebody in a uniform says this won't happen.

This might be a disaster to the U. S. position, but it could very well be as well a major disaster to the Truman Administration. If U. S. forces cannot retain and expand a foothold on Korea before November, this defeat, on top of all that has gone before, could very well lead to the election of a Republican Congress in November, for an amphibious landing to regain the U. S. position on that peninsula could not be mounted, short of another defeat, for months. Members of the Truman Administration, no less than politicians of any party in any country at any time, are satisfied that they are superior managers, and are in a panic for fear this upset would happen and threaten them with the loss of control of Congress.

The other great problem confronting the Truman Administration is whether to reorganize the country for all-out war. There are, of course, far-reaching military and diplomatic considerations involved. The political considerations will weigh as heavily. Will the country re-elect a majority of Democrats if the Truman Administration, after a grave defeat or near-defeat, asks to mobilize? Will the Congress actually go along?

So the Truman Administration, worried as it is about the progress of the war, is worried about its tenure, and it may have a solid basis for worrying. Hence the outlook is for the Administration to figuratively stand on its head and do handsprings for some considerable time to come.

* * *

There took place before a Senate Banking subcommittee last week one of the most unprecedented affairs that has occurred in a generation of Congresses.

Officials of the Housing agencies and representatives of the American Bankers Association, the Mortgage Bankers Association, and investment firms, participated in a genuine "round table" discussion of the Administration's "secondary mortgage" bill to (1) tighten up the Federal National Mortgage Association's operations, and (2) to create a system of "national mortgage corporations" with private capital.

It was unprecedented because none of the participants appeared with a prepared statement, and none of the "script" was prepared in advance. It is impractical to report their views short of a very long article.

It was unprecedented because almost all of the participants set out to reach a meeting of minds about the whole question of a standby market for insured and guaranteed markets, regardless of their respective organizational viewpoints.

It was unprecedented because there was actually reached a virtual agreement. Sen. John J. Sparkman (D., Ala.), for instance, an ardent advocate of the 4% GI loan limit, acknowledged that indirectly there must be some means to vary the yield, and the industry men acknowledged the sacrosanct political character of the 4% rate as such.

On the other hand, this unusual demonstration attracted only one subcommittee member, Senator Sparkman himself.

In the course of the discussion, it was brought out by Frank M. Morgan, Vice-President of the Boston Five Cents Savings Bank, that the Administration in drafting the "secondary market" bill, had inserted a provision which would allow the Home Loan banks to finance the proposed "private" secondary mortgage corporations with short-term HLB funds, "suggesting that the front of these corporations is private, but their flesh and blood is governmental."

This was an apparent surprise to Senator Sparkman, who although a left-winger, did not know it was in the bill.

This was another fruit of the "round table." It is frequent that the Administration slips jokers into bills. It is infrequent that witnesses not only catch them, but bring them to light publicly in front of their authors.

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

BUSINESS BUZZ

"Wake up, Mr. Van Potmore, it's time for you to swivel around and face the sun!"

Mortimer Burnside Co. Formed in New York

Mortimer B. Burnside & Co., Inc. has been formed with offices at 1 Wall Street, New York City, to engage in the securities business. Officers are Mortimer B. Burnside, President and Treasurer; Marie A. Amadeo, Secretary; and Nathan Harris, director. Mr. Burnside was formerly with J. A. Sisto & Co. and Frank W. Bennett & Co.

James C. Cheatham Co.

TYLER, Tex.—James C. Cheatham has formed James C. Cheatham & Co. with offices in the Peoples National Bank Building to engage in the securities business.

With Daniel Reeves Co.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — Jerome Goldsmith has become associated with Daniel Reeves & Co., 398 South Beverly Drive, members of the New York and Los Angeles Stock Exchanges. He was formerly with Morgan & Co. and Shearson Hammill & Co.

Waddell & Reed Add

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—E. C. Genereaux, Jr. has been added to the staff of Waddell & Reed, Inc., 8943 Wilshire Boulevard.